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TITLE OF THESIS/*TITRE DE LA THÈSE* AN INQUIRY INTO VALUES INFLUENCING CONSUMER CREDIT USE BY A SELECT GROUP OF CANADIAN FAMILIES

UNIVERSITY/*UNIVERSITÉ* University of Alberta

DEGREE FOR WHICH THESIS WAS PRESENTED/*GRADE POUR LEQUEL CETTE THÈSE FUT PRÉSENTÉE* Master of Science

YEAR THIS DEGREE CONFERRED/*ANNÉE D'OBTENTION DE CE GRADE* 1978

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THE UNIVERSITY OF ALBERTA

# AN INQUIRY INTO VALUES INFLUENCING CONSUMER CREDIT USE BY A SELECT GROUP OF CANADIAN FAMILIES

BY

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A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE

OF MASTER OF SCIENCE

IN

FAMILY LIFE EDUCATION

DEPARTMENT OF HOME ECONOMICS

EDMONTON, ALBERTA

SPRING 1978

THE UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research, for acceptance, a thesis entitled "An Inquiry Into Values Influencing Consumer Credit Use By A Select Group Of Canadian Families," submitted by LAURIE PATRICIA FRANCES HUNTER in partial fulfilment of the requirements for the degree of Master of Science in Family Life Education.

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DEDICATION

To Snoopy: who understands the concepts involved in this work and to humour in general - that which involves looking at oneself as well as at one's world.

## ABSTRACT

This study explored the relationship between values and credit use in a select group of Canadian families. This relationship was examined by applying theories of consumer behaviour to credit use. The decision to use consumer credit was seen as one of the choices families have to make when deciding to purchase a specific item or service.

To explore the link between values and credit use, four families were interviewed. These four families comprised two matched sets. One family in each set was receiving counselling at the time of the interview. The other family had obtained financial counselling prior to the interview but had successfully resolved their problems. The two sets were matched according to the age of the heads of the household, the length of time that each couple had been married, the number and age of children, the wife's employment status and gross annual income.

The families were interviewed in their homes to find out:

1. whether the goods they financed met biogenic (physiological) needs or psychogenic (social and psychological) needs, and,
2. whether the heads of the families sought to attain economic goals.

Information from the interviews was used to determine whether the families were economically oriented. An economically-oriented family was defined as one that strove to achieve economic goals and that used credit to finance the satisfaction of psychogenic needs.

The author suspected that the introduction of consumer credit to the marketplace had lessened the economic constraints over purchase

behaviour. She held that consumer credit made it possible for families to finance the fulfillment of social and psychological needs which could have been satisfied in other than economic ways. The desire of families to achieve economically and their resort to consumption as a means of satisfying psychogenic needs was considered evidence that these respondents adhered to an overriding value: 'possession' or 'material wealth'.

On the basis of the interviews, it was concluded that the four families examined were economically oriented. Each used credit to meet psychogenic needs and pursued economic goals. It was concluded that each family used 'possession' or 'material wealth' to achieve other ends or to satisfy psychogenic needs.

The research was exploratory. Consequently, the sample was purposefully selected and the methodology was experimental. It is not possible to generalize from this study to any larger population. Difficulties were encountered in defining specific goods as satisfying either biogenic or psychogenic needs. However, there appears to be merit to examining the relationship of family values to credit use generally and to overextension specifically. If this relationship is clearly established by future research, it would indicate that both counsellors and consumer educators should concentrate on teaching people to recognize, evaluate, and question their value structure and purchase behaviour.

# PREFACE

The writer first became interested in the relationship of values to consumer behaviour generally, and to credit use specifically, while employed as a social worker. Each of the writer's clients required financial assistance or 'welfare'. In many cases current emotional and financial difficulties appeared to be a consequence of credit difficulties. Families who were unable to support themselves appeared to suffer a loss of dignity as they became subject to financial anxiety. Many seemed to measure their self-worth relative to their financial success or failure. At times the financial situation of these families became so serious that the resulting stress rendered them incapable of handling even the most routine aspects of daily life. It was from a concern for such situations (and an anger over the fact that they develop) that the researcher decided to investigate consumer credit use.

The researcher felt that there was something gravely wrong when the economic and social values governing the behaviour of a society dictated that the measure of a man's worth was his ability to consume or possess. Many of the families had internalized this view. It appeared that the link between values and credit use had not been considered in existing research. That such a relationship operated became apparent to the researcher through her direct involvement with families who were unable to compete in the economic system. The interest sparked by this observation was pursued by a literature review which confirmed that little empirical research had examined the topic. The end result of this

exploratory process constitutes this work: an investigation into the relationship between credit use and values.

ACKNOWLEDGEMENTS

Graduate work is a maturing experience. Properly pursued it leads one to question not only that which exists in a specific field but that which exists. The process is at times a painful one. It is not easy to learn to consider objectively all that one has taken for granted over a lifetime. Much introspection is required as one comes to learn about the world at large, about oneself, and about one's limitations. In this way, writing a thesis becomes its own kind of 'hell'. What is learned and the pain involved depends very much on the person doing the work.

By doing this research the main thing that I have learned is that there are other people who are interested in the same things as I am and who are willing to share of both their ideas and time. Relationships with people I have come to know because of this thesis and because of their willingness to share have not always been 'rosey', but in retrospect, they have been most fruitful. It was not always with grace that I accepted their criticism.

The people to whom I feel the most indebted both personally and intellectually are: Doris Badir, Ron Savitt, John Shiry, Cindy Katerenchuk, Lynda Forsythe, Jim Talbot, Jim Hunter, my respondents, and my family.

Doris and Ron served on my research committee as supervisor and external advisor respectively and as friends. Their continued support and interest in this work and in myself as a student will be long remembered.

John's involvement with this thesis began when I, as a student, whom he had never met, asked for his assistance in editing what, three drafts ago, I considered to be the final copy of my thesis. John aided not only in the mechanics of writing this thesis but also in its conceptualization. He has challenged and helped build the ideas upon which the work is based. The moral support John provided was, at times, all that kept the 'light at the end of the tunnel' in view.

Lynda and Cindy spent hours of their time typing without remuneration. Lynda typed a final draft in one week. She completed, without question, the many changes required as typing errors, although we both knew that they were not.

Jim Talbot undertook the final editing of this thesis, at a time when he was already burdened with his own work.

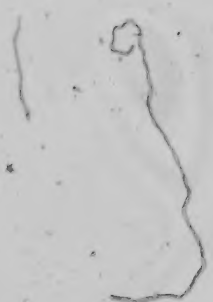
Jim Hunter helped with the initial stages of the research. His understanding and acceptance of that which he could not change made the process of writing a thesis much easier than it could have been.

Without the people whom I interviewed this research would not have been possible. That they shared so much of their lives and feelings with me maintained much of my interest in the project and heightened the personal reward that I have gained in the process.

My family provided moral support from the start to the finish of this exercise. Never once did they 'rub in' the amount of time that I was taking or the aloofness with which I treated them as a result. My mother, to whom I owe a particular debt, taught me, at a young age, the meaning of self-worth, the value of questionning, and the merits of personal growth. Had it not been for the adoption of these ideas, I

would never have gone to university let alone pursued graduate work.

It is without hesitation that I say thank you to the forementioned people for helping me through some very difficult times and a period of personal growth and development unequalled in my past. That the list is small indicates the intensity of the interaction that we shared and the solitary nature of a project such as this.



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# CHAPTER I

## INTRODUCTION

The use of consumer credit in Canada is expanding. During the twenty year period, 1948 to 1968, the rate of growth of consumer credit was three times as rapid as the rate of growth in personal income (Statistics Canada, 1977, p. 695). Within the five years 1972 to 1977 it is estimated that consumer debt rose 17 percent annually (Edmonton Journal, Dec. 16, 1977). From the end of 1973 to the end of 1974 the total amount of consumer credit outstanding in Canada rose 16.5 percent. Total outstanding consumer credit amounted to 23.1 percent of disposable income in 1974. In the prior decade, outstanding consumer credit amounted to 18.9 percent of the disposable income available to consumers (Statistics Canada, 1977, p. 695). Consumer credit outstanding on the books of major credit holders rose 13.8 percent from July 1976 to July 1977 (Toronto Globe and Mail, September 21, 1977). It has been predicted by some consumer credit professionals and bank economists that consumer credit will continue to grow at an annual rate of 15 percent (Davies, November 21-27, 1977).

Given the importance of consumer credit in the Canadian economy and the extensive use of credit it is inevitable that some families will experience problems such as lost credit cards, computer errors on debt statements, inaccurate credit rating reports and over-extension.[1] Ensuing difficulties are varied and complex; they may

1. The term credit is used interchangeably with the term consumer credit in this study.

be individual, familial, strictly economic, or societal.

Although the researcher is sympathetic to and concerned with the problems associated with credit use and with the effects of the use of credit on families it is not the intent of this work to examine those effects. Instead a more fundamental question has been asked: What values are related to the use of credit in Canadian society?

The assumption upon which this study is based is that people behave the way that they do because of specific underlying values that they hold. People become overextended in the use of credit because of certain underlying values that they have about money and credit, about the things that money or credit can buy and about the possession of those things which can be bought. Once we understand the values that underly credit use we can begin to comprehend the problems that are associated with credit use.

## A. THE RESEARCH QUESTIONS

This study examines one basic question. What are the values that influence the use of credit in a selected group of Canadian families that have been or are currently overextended in credit?

## B. THE NEED FOR THE STUDY

Too often researchers expend all of their effort examining the effects of an issue rather than understanding the issue itself. By investigating the values behind families' overuse of credit, an insight

is provided into the difficulties that arise when credit is used. It if often helpful to view things in this wider perspective.

An appreciation of the value context of credit use will aid counsellors in their work with overindebted families, and consumer educators in program planning both for the general public and for those who are experiencing specific difficulties with credit. If there is a pattern relating values to credit use, this would be an indication that both counsellors and educators need to concentrate their efforts on teaching people to recognize, evaluate, and alter, if necessary, their values. It would be an indication that families need to examine their goals, and their aspirations.

It then would follow that as families are aided in recognizing their values and the ways in which these affect their consumption related behaviour, they will be more competent in their use of resources. Recognizing the importance of a value structure that is operative in any social system has implications for the types of services that should be made available in a community. Each has a profound effect on the psychological and social aspects of man's development within society.[2]

---

2. The intent and concerns of this study are consistent with the set of research goals for Home Economics that were set down in 1970 by the Association of Administrators of Home Economics (Compton and Hall, 1972). Three of the goals outlined at that time are relevant, namely that research should be directed at:

(1) Improving consumer competence and family resource use,

(2) Improving the quality and availability of consumer services which enrich family life, and

(3) Improving the conditions contributing to man's psychological and social development.

## C. THE PURPOSE OF THE STUDY

This research is a preliminary investigation into a specific framework within which to consider consumer credit. It is intended that this research will:

(1) Examine the value system of a selected group of Canadian families who either have been or are currently overextended in consumer credit,

(2) Consider the relationship between specific values and the behaviour of using credit to that point where a family becomes overextended.

The findings will act as a basis for the development of a series of recommendations that will enable consumer educators and family counsellors to help families develop skill in handling credit, and to suggest ideas for more precise future research about the use and overuse of consumer credit.

## D. PLAN OF THE THESIS

Chapter Two offers a review of some of the literature on consumer credit. In this chapter the basic concepts of consumer credit, overextension in credit, and values are defined. The theoretical relationship between values and behaviour and some work pertaining to their relationship to overextension is discussed. In this chapter the behaviours associated with overextension in consumer credit have also been considered.

The framework within which the author views the research problem is presented in Chapter Three. The research design will be discussed

in Chapter Four. Chapter Five will consist of a presentation of the research findings and an interpretation of the data. In Chapter Six the research problem will be restated and conclusions drawn. A discussion of the limitations of the research and of suggestions for future research on consumer credit will conclude this chapter and the thesis.

# CHAPTER II

## REVIEW OF LITERATURE RELEVANT TO AN EXAMINATION OF THE RELATIONSHIP BETWEEN VALUES AND OVEREXTENSION IN CONSUMER CREDIT

The purpose of this chapter is to review current and past literature related to the research problem outlined in the previous chapter. A definition of the concepts of consumer credit, overextension in consumer credit, and values will provide the introduction. Following this will be a discussion of the theoretical relationship between values and behaviour. A review of the literature relating values to credit use emphasizing that dealing with overextension will end the chapter. Examination of the issues outlined above will provide an understanding of the principles upon which the researcher conceptualizes the thesis problem.

### A. DEFINITIONS

#### 1. Consumer Credit

Consumer credit is an amount or sum of money placed at a person's disposal before he has earned it with time given for payment so the person can possess goods or services. In each case goods or cash are given in advance of purchase. Trust is placed in the person's ability and intention to pay in the future.

> "From the viewpoint of the lender, credit represents the exchange of present cash for a stream of future income. From

> the viewpoint of the borrower, it represents the acquisition of present purchasing power in exchange for a promise to pay out of future income" (W. A. Beckett Association Limited and Leighton, 1974, p. 39).

Consumer credit is comprised of vendors credit and of lenders credit. The term vendors credit refers to credit that is extended by a company where goods or services are sold. Lenders credit, on the other hand, refers to a loan of money made by a lending institution. Vendors credit may be extended by a conditional sales contract or a chattel mortgage. Lenders credit may be extended by a chattel mortgage. If a sale is conditional, the vendor maintains title to the goods until they have been paid for. If the consumer signs a chattel mortgage the debtor obtains collateral for whatever he lends. Once the consumer repays his debt the security lapses.

Consumer credit, as defined in this study, includes both vendors and lenders credit. Both agreements where a conditional sales contract is in effect and those where a chattel mortgage is taken are included. Only credit that is advanced to finance the purchase of goods or services for personal consumption will be included in the definition of consumer credit. Credit for business purposes is excluded.

The aggregate amount of consumer credit outstanding is referred to as debtload. To measure debtload Statistics Canada totals the balances owed to: retail credit outlets, sales finance companies, life insurance companies on policy loans, chartered banks, credit unions, and other credit holders (Statistics Canada, 1977). Credit extended by chartered banks and measured in the Statistics Canada debtload figure includes personal loans other than secured loans, home improvement loans and mortgages. Other components of debtload include credit card

balances owed to banks, oil companies and other retail establishments.

In this study mortgages have been excluded from the definition of consumer credit. The researcher includes however, credit extended by service institutions and loans between individuals. These last two amounts have not been included in Statistics Canada measures of debtload since the amounts are not readily available. Accessibility to information is not a problem in this study since families are consulted individually about their use of credit. Therefore service credit and interpersonal loans have been included as a part of debtload. Since these figures have been included there is no basis for comparison between Statistics Canada figures of debtload and the debtload of respondents in this study. This would be important if one was defining debt overload in terms of consumer s being in debt in excess of some number representing the minimum and average credit load carried by Canadians. Since such comparison is not attempted herein, this is considered to pose no difficulty.

## 2. Overextension

It is difficult to define that point at which a family is considered to be overextended in consumer credit. Even a relatively small debt may be magnified by a family's anxiety about it where in contrast others may show no apparent concern over very large debts (Goldberg, 1968).

Theoretically it should be possible to define overextension by considering the factors associated with it and its effects. It becomes apparent when reviewing the literature for this purpose however, that studies of the factors involved in overindebtedness, of the character-

istics of bankrupts, and of the effects of overextension yield inconclusive results when considered as a body of knowledge. Studies have been done by Ziegel and Olley (1966), Caplovitz (1963), Siporin (1967), Gove, Grim, Motz and Thompson (1973), Ryan and Maynes (1969), Goldberg (1968), Stafl and Walter (1975), Brosky (1965), Dolphin (1965), and Herrmann (1965). The methodology and hypotheses in these studies differs so substantially as to render comparison of results difficult. Members of lower income groups and of bankrupt families have been over-represented in sample groups. Since the use and misuse of consumer credit is escalating, much of the work done is outdated. A coherent body of theory and knowledge about these three aspects of consumer credit use in Canadian society does not exist. Therefore it is not possible to base a definition of overextension in consumer credit on the factors that are associated with it. Of necessity one turns to examine how previous researchers have defined the concept.

Goldberg (1968) considered a family to be overextended when its financial affairs had deteriorated to the point where the family required professional help to stabilize its finances. Caplovitz (1963) stated that families with large consumer debts relative to assets were insolvent. Overextended families according to Ryan and Maynes (1969) were those who had more installment debt than they could repay without difficulty. In an unpublished paper Marcia McNichol (1974) defined a family as being overextended when the obligations for money each month in the form of cost of living plus payments for items bought on credit exceed monthly income. Monthly income consisted of the total amount of money coming under the control of the family in any given month from all sources whether wages or government aid.

Montgomery (1976) defined a family as being overextended in consumer credit at that point where it had to cut back on necessities in order to pay incoming bills. Of the five definitions identified the following rationale was used to develop a working definition for the research.

McNichol's definition was not used since difficulties were anticipated in obtaining a sample group of families from the general population who fit into her categories based on monthly income and bills. To suggest that a family was or was not overextended based solely on its report of family finances requires a great deal of prior knowledge of families and their finances. Interviewing families at random about their finances is sensitive and subject to much error. The definitions of Caplovitz (1963), Ryan and Maynes (1969) and Montgomery (1976) use terms that are difficult to define and not suitable for operationalization. What for example one considers to be a large debt to asset ratio, how one defines difficulty and how one defines necessity varies according to individual standards. It is possible however to consistently identify overextension as that stage where the family itself recognizes that it has a problem and on that basis seeks advice to change their financial situation as did Goldberg (1968). A family, in this research, is considered to be overextended in consumer credit when it seeks professional help to remedy its financial situation.

The researcher is not proposing that families seeking counselling are the only ones who are overextended in consumer credit. The definition is not inclusive in that it is dependent upon the family making the judgement to seek aid. Some families may not know when professional help is required. These families may be identified in other projects by operationalizing the McNichol (1974) definition

of overextension. The researcher would add to this definition however the point that it be considered valid only if a given family's income is sufficient to meet their daily requirements.

3. Values

Values comprise one's basic personal orientations or underlying beliefs about life. They are abstract ideals that are not tied to any specific objects or situations but are comprised of a person's beliefs about ideal modes of conduct or ideal goals (Rokeach, 1968). Values are concerned with how one ought or ought not to behave and with goals that are or are not worth attaining (Rokeach, 1973). They constitute preferences or standards for the human good (Compton and Hall, 1972; Kerlinger, 1964; Lindzey, 1954; Best, 1973; Manheim, 1975; Grant, 1969; Bem, 1970). Thus values are concerned with what goals people strive to attain, what behaviours people expect of others, and what methods they use to achieve their aspirations. Values are reflected in the kind of lives that people want to live.

When discussing values one is not concerned with the biological or psychological requirements of man such as hunger and sex. One is referring rather to socially created needs and wants. One is examining not the things that all people must do to live but rather how they do these things and how important they are to them relative to other things. Basic values represent the base of numerous choices that individuals make about the way they live, about their goals and aspirations, and the importance of each of these (Clough, 1960). The desirability of values may be either taken for granted or learned from experience (Bem, 1970).

As individuals have many needs and are engaged in a variety of activities they possess not only one value but rather a number of values. Persons may have several purposes in life. They may choose to use their energy and physical resources to meet many different needs. Each individual has many values. These may be social, political, epistemological, aesthetic, or economic to name but a few. These values do not operate in isolation from one another. They may in fact be contradictory. In any given situation several values may be in effect. How an individual's underlying belief or value system is related to behaviour in specific situations will be discussed in a later section of this chapter. At this point what is important to take note of is that values operate in conjunction with one another across specific situations. They do not apply to only one instance of an individual's behaviour.

To summarize, one's values are one's broad, general, underlying, deeply-felt conception of what is good or bad for oneself and for other's in one's groups. They are concerned with how one should live one's life and with what is important in life. That one's credit use behaviour reflects one's values is the assumption upon which this research is based. This statement rests on acceptance of the idea that values influence behaviour. This proposition will now be discussed.

## B. THE RELATIONSHIP BETWEEN VALUES AND CONSUMER BEHAVIOUR

Numerous researchers have examined the relationship between values and consumer behaviour. Although each of these may not agree

on the specific mechanisms by which values influence behaviour they all would agree that this influence is present. The theorists noted in this thesis who have reached that conclusion are: Howard (1977), Chisnall (1975), Ferber (1973), Kotler (1967), Strumpel (1973), Engebretson (1966), Martin (1966), Bowmann (1965), Phelan and Ruff (1961), John (1956), Maloch and Deacon (1966), Burk (1966), Magrabi (1966), Margabi and McHugh (1963), Krech, Crutchfield, and Ballachey (1970), Pfaff (1973), Martin (1973) and Horn (1975).

The researchers who have been cited generally establish the link between values and behaviour as consumer goals which we shall see in a subsequent section are related to consumer needs (Strumpel, 1973). These goals, be they for prosperity, security, excitement or various other end-states, direct behaviour. Values define what behaviour is legitimate and what is desirable. They provide not only a hierarchy of goals but also a body of rules for their attainment (Bell and Vogel, 1968). Thereby values provide individuals with direction. They give meaning to action by implying a purpose (Grant, 1969; Kluckhohn, 1958). In this way a person's values provide a framework for him to interpret and respond to the environment (Best, 1973; Stone, 1974; Bem, 1970; Compton and Hall, 1972). Each person's set of values governs his overall feelings associated with a particular object or situation (Manheim, 1975). Thus values guide behaviour (Howard, 1977) and every voluntary choice involves a weighting of values (Gross, Crandall, Walbert, and Knoll, 1973). This holds true whether the choice involves decisions about how to allocate time, effort, money or any limited resource. It is with decisions about how to use money that this thesis is concerned.

Several theorists have tried to relate the financial behaviour of consumers to their values. Philip Kotler examined the relationship between four values: leisure preference, hedonism, other-direction and security to the type of goods found in a home. This study was reported in Chisnall's work dated 1975. After finding that economic and demographic variables had limited success in explaining the ways in which people respond to prosperity, Strumpel (1973) turned to an examination of the values of his respondents. He found that individual choices between saving and spending, work and leisure, and various consumer goods were reflected in the values, goals and aspirations of the consumer. These values, goals and aspirations were formed in advance of the consumer's action. Strumpel assumed that the productive behaviour of people and their satisfaction were shaped by their goals or values. He found that material ingredients played a prominent role in the individual's conception of happiness. This relationship between values, goals, and satisfaction was also noted by Phelan and Ruff in 1961.

Another researcher, John (1956), classified values according to the reasons why items were purchased. His categories were functional values, status giving values, values giving self-esteem, sentimental values, aesthetic values and economic values. John related these values to the reasons a consumer made specific purchases and their satisfaction with these purchases. John (1956) found that his respondents judged household goods not only according to functional criteria but that their satisfaction was influenced by other values as well. John concluded that individuals have several values by which they evaluate commodities and that the attainment of a single item usually

meets the criteria of more than one value just as more than one object is needed to satisfy a single value. He stated that the more an individual saw the attainment of an item as essential to him in meeting one of his values, the greater his motivation was to seek it.

Other researchers who have tried to relate specific values to consumer behaviour are Burk (1966), Magrabi (1966), Martin (1973), and Horn (1975). Magrabi examined values that influence automobile choices. She found that it was particularily difficult to examine the value prestige. Although her respondents agreed on which automobiles had prestige no one would say that they purchased a specific car because it was prestigious. Horn (1975) related the clothing purchases of individuals to their value system. She concluded that most frequently aesthetic and economic values were related to clothing choices among women. Horn concluded that the following values were related to clothing purchases in general: conformity, self-expression, prestige, social participation and comfort. Another researcher, Schlater (1969), concluded that different values were related to the acquisition of different material possessions. In her investigation of values, Schlater found that values related to the purchase of cars were different from those related to the buying of furniture for example.

In spite of what may be termed an extensive investigation of values by researchers, value concepts have not been used empirically to explain differences or changes in economic behaviour (Strumpel, 1973). Researchers have encountered difficulties establishing a one-to-one relationship between specific values and specific consumer behaviours. Magrabi (1966) pointed out that inconsistencies arise

between value theory and research results. She attributed this to the fact that values are extremely individualistic and that instruments to measure values are difficult to devise. Bowman (1965) also recognized these problems. Martin (1966) found that no one person could be the indicator of values for an entire family. In his work, John (1956), cited several works completed at the Pennsylvania Agriculture Station in addition to his own which concluded that no two commodities satisfy the value system in exactly the same way. Martin (1973) stated that it is unrealistic to assume that a single product or brand purchase represents an individual's total behaviour. Horn (1975) commented on the fact that difficulties in measuring values arise because an individual's explicit values (portrayed by what he says he believes) and his implicit values (inferred from what he does) may differ. Horn also pointed out that people may not be conscious of their values and that a variety of goals may reflect the same value. She stated that the same goal may stem from a different value or value combination as well. This varies between people or between periods in the life of one person.

Thus the measurement of values is difficult. There is not generally a one-to-one correspondence between holding a particular value and undertaking a particular behaviour. If this relationship were present it would be difficult to isolate in any case. Behaviour cannot be predicted on the basis of a single value or value cluster.

That values influence behaviour is <u>not</u> disputable. The way in which they do so and the relationship of specific values to specific situations is open to debate. What must be remembered is that psychological, social, economic, and physical factors may intervene, that

more than one value may influence a specific behaviour and that values are difficult to measure in any case since individuals may not understand what they value. As will be discussed in a later chapter individuals may also have an interest in misrepresenting their values for either social or psychological reasons.

## C. VALUES RELATED TO CONSUMER CREDIT USE AND OVEREXTENSION: RELATED RESEARCH

Current literature on consumer credit examines mainly the factors associated with overextension, the characteristics of bankrupts, and the effects of overextension. There have been a few studies examining the attitudes of consumers to credit (Caplovitz, 1963; Canadian Welfare Council, 1970; Stafl and Walter, 1975). The literature that exists and is considered relevant to the relationship between values and credit use addresses the questions of why families use consumer credit, what purposes using credit serves and how people view those who become overextended in credit. Consideration of this last issue sheds light on the psychological and social effects of overextension and establishes that a value system is operating and influencing credit use behaviour. Since values define what behaviour is legitimate and what is not the presence of sanctions against the misuse of credit indicates that values are present in a given situation. Reviewing literature on the reasons why families use credit and on the purposes that credit use serves provides a basis for inferences to be made about the value system related to the overuse of consumer credit since values provide individuals with direction and purpose for their actions.

A basic assumption of the research reported here is that values can be inferred from the credit behaviour of families. The assertion that values guide behaviour has been adequately discussed in the previous section. This proposition is fundamental to the research problem. The main references for the argument are: Manheim (1975), Best (1973), Stone (1974), Bem (1970), Compton and Hall (1972), Grant (1969), Kluckhohn (1958), and Clough (1960).

The way a family uses credit is primarily a matter of money-management. Management is defined as "a dynamic, ongoing process which encompasses those human actions directed toward the realization of values and goals. That values function as the most basic underlying force in directing managerial activity is an accepted proposition in management" (Compton and Hall, 1972, p. 35). Thus is established a link between credit use and values. To examine this link, literature on the social and psychological effects of overextension, on the reasons why credit is used and on the purposes it serves will be reviewed.

## 1. The Psychological and Social Effects of Overextension

The attainment of adulthood in our culture carries with it the expectation that an individual become independent. This state of independence assumes that a person takes responsibility for earning his own living. We tend to regard lack of accomplishment in this area as failure, and people unable to earn a living as inferior (Schneiderman, 1963).

When a person or family reaches the point where they have to admit their own financial helplessness they are vulnerable. An

overextended family suffers both financially and socially (Caplovitz, 1963). Individual family members may suffer a loss of dignity and self-respect or become subject to pressing and stressful anxieties as a result of concern over monetary matters. This may be especially true of the male who has been defined traditionally as the head of the house. He may feel inadequate as a male if he is no longer able to fulfill the requirements of the role (Goldberg, 1968; Schneiderman, 1963).

To the extent that family members are affected by financial concerns tension will build within the family unit. A disruption of family life may occur as a consequence. This may be complicated by other difficulties such as job loss, further overspending, marital discord, gambling, adultery or excessive drinking (Siporin, 1967; Goldberg, 1968). As problems compound, dissolution of the family unit may occur. Monetary problems have been cited as leading to more family breakups than any other single cause (Goldberg, 1968; Coombs and Zumenta, 1970; Gove, Grimm, Motz, and Thompson, 1973). Stafl and Walter (1975) concur. In their study fifty seven percent of a student sample interviewed stated that the main problem associated with credit was that its misuse led to other family problems.

Thus sanctions exist and are applied to families who become overextended in consumer credit not only by its friends and neighbours, but by the family itself. There are value systems making judgements outside of the family as well as within it. This may cause guilt and subsequent breakdown of the family. It is hoped that consideration of the reasons for using credit and of its purposes will illuminate the nature of the value system to which we have referred.

## 2. The Reasons Why Families Use Credit Hence: The Purpose Of Credit Use

Past research indicates that persons use credit either as a debt instrument to purchase items for which they do not have the cash to pay or because they see it as a convenient way to facilitate a transaction (Mandell, 1973). Mandell found that low and medium income credit users tended to view credit as a debt instrument more than as a mechanism for facilitating a transaction while people in higher income brackets saw it as a convenience. Families who use it for the latter reason see credit as being more manageable than cash. They consider it to be safer to carry credit cards than cash and easier to keep records of their expenditures. In either of these instances, consumer credit is used to finance consumption.

That credit is used to finance consumption or possession is implied in the work of David Caplovitz (1963). Caplovitz attributed many of the debt problems of his low-income sample to the fact that low-income consumers are trained by society to want the symbols of the 'good life' at the same time that they lack the means to fulfill those socially induced wants. The fact that socially induced aspirations and goals may lead to debt problems is also recognized by the Canadian Welfare Council (1970). That consumers are not in many cases price and quality conscious lends credence to this point (Caplovitz, 1963).

The idea of considering credit to be a method of financing consumption has been discussed at length in numerous manuscripts. As early as 1934, Dr. Ferdynand Zweig stated that a family or individual will seek to obtain consumer credit in order to maintain its usual standard of living when the family or individual is forced to live on

a smaller income. In The Economics of Consumer Credit (1934), Zweig elaborates on the idea that consumer credit is used to artificially uphold excessively high standards of living.

Consumer credit, viewed in this manner, constitutes a method of raising the purchasing power of individuals, thereby creating, establishing, and meeting new wants. Zweig noted that consumers who have been attracted by installment credit because it enables them to purchase goods without money begin to see it as convenient. He observed that there is a tendency for consumers to widen the scope of their installment purchases over time.

A consumer purchases for the purpose of consuming or possessing. Families use cash or credit to finance each of these. Therefore the purpose of credit use is consumption or possession. The underlying assumption is that explanations of cash-financed purchase behaviour are able to explain credit-financed purchase behaviour. Values that operate in either situation are manifested in the same way. Thus the values identified earlier as being associated with purchase behaviour can be associated equally with purchase behaviour financed by credit or by cash. The idea that values influence decisions about consumption and possession is part of the framework of the research problem. The perspective used focuses on consumer behaviour. It is discussed in the third chapter of this work.

# CHAPTER III

## A FRAMEWORK FOR THE RESEARCH PROBLEM

This chapter outlines the context within which the author is considering credit use, her interpretation of factors that influence credit buying in general, and in particular the relationship between values and credit use.

Briefly, the chapter outlines the rationale for considering credit management in a similar way to money management. The point made here is that both money and credit finance consumption. The argument is then made that to understand credit use one must understand consumption and the factors that influence consumption. Economic and non-economic factors that influence consumer behaviour or consumption are discussed. Statements made in this section are applied to credit use and a model is developed to explain the interrelationship between economic and non-economic considerations, money management, credit use,and consumption. Emphasis is placed on the role of values in influencing consumer behaviour throughout this discussion. The chapter concludes with a projection about the specific values that may be of importance in explaining consumer behaviour related to credit use.

### A. THE USE OF CONSUMER CREDIT

Consumer credit is a means by which consumers can expand their effective money income. Credit allows families to finance consumption

in the same way as 'real' money. Literature attempting to explain credit use is lacking. One must turn to explanations of consumption in general as a starting point for understanding credit use.

Most that has been written to explain consumption has been concerned with purchases that have been made with cash. Since both cash and credit are mediums of exchange these explanations have been used to explain purchases made with credit. The argument, which has been discussed in the previous chapter, is that the factors that influence cash-financed consumption are the same as those which affect credit-financed consumption. This statement holds true regardless of whether consumers use credit because it is convenient or because they lack the cash to make a purchase since in both cases it is used to finance consumption.

## B. ECONOMIC AND NON-ECONOMIC FACTORS THAT INFLUENCE CONSUMER BEHAVIOUR

Although there is not a single cohesive explanation of the factors that influence consumer behaviour (Preshing, 1974) there is some general agreement on the nature of these factors. Recognition of them will lead to an explanation of credit-financed consumption. The purpose of the ensuing section is to present an overview of the factors considered to influence consumer behaviour in past work. An historical approach has been taken. Both economic and non-economic factors are considered.

## 1. Economic Factors That Influence Consumer Behaviour

Economists were the first professional group to construct a specific theory of consumer behaviour (Kotler, 1967). The economic theory suggests that purchase decisions are the result of rational and conscious economic calculations (Allport, 1954; Lasswell and Kaplan, 1965; Ferguson, 1972; Boreham and Leftwich, 1971; Kotler, 1971; Kotler, 1967; Price, 1968; Ferber, 1973). Consumers are seen as acting in their own best interests to maximize utility. Each household is seen as confronted with having to allocate its limited money to achieve maximum want satisfaction. Consumption is determined by families consciously seeking to maximize their satisfaction in the marketplace.

The economic view of consumer behaviour assumes that each individual consumer has accurate and complete knowledge of all information that is relevant to his purchase decisions. He is cognizant of all alternatives and of the degree to which each will satisfy him. It is taken for granted that consumers are able to rank their preferences according to their ability to satisfy wants. This presupposes that consumers know what they want. The economic view of marketplace behaviour assumes also that consumers will prefer a greater budget to a smaller one. It is said that the more that a family consumes the greater will be its degree of satisfaction (Ferguson, 1972).

The founders of the economic theory of buyer behaviour, Gossen (1854), Jevons (1871), Walras (1974), and Marshall (1890), saw any form of consumption as providing utility and as lending to some degree of satisfaction. They measured total utility in terms of a consumer's rate of consumption. The greater the consumption rate the greater the

total utility associated with that good, though the increases occur in relatively decreasing increments. Other early theorists such as Edgewood (1881), Antonelli (1886), and Fisher (1892), also saw utility as dependent upon the quantity of consumption in a given time period. These economists however, recognized that the utility obtained from one purchase may be affected by the consumption of another. Unlike Gossen, Jevons and Walras they measured utility by considering the level of utility of all goods being consumed simultaneously. They did not simply calculate the sum of independent utility functions, that is of those obtained separately from each good.

It was not until 1906 that Vilfredo Pareto conceptualized the indifference curve. An indifference curve is "a locus of points of particular budgets or combinations of goods - each of which yields the same level of total utility, or to which the consumer is indifferent" (Ferguson, 1972, p. 25). Pareto recognized that the specific numbers attached to utility functionswere irrelevant. Utility, as viewed by indifference curve analysis, is generalized although ordinal measurements are still required. The theory assumes that utility is measurable within a range and that consumers can rank the extent to which a good satisfies them. It is at this point that economic theory progresses from being strictly a theory of utility to a theory of preference. It is from this concept of the indifference curve that modern economic theory has evolved. The principle assumption guiding this modern theory is that consumers demand goods in an attempt to allocate their limited money income among available goods and services to maximize their satisfaction. The satisfaction is not necessarily defined in economic terms, but may be seen as sociological or psycho-

logical. It is concerned with the consumption of more than one item. The economist however is not usually concerned with how relative preferences are formed or with how they may be psychologically or socially modified (Kotler, 1967).

The economic view of the factors that influence buying fails to consider the consumer in the context of the entire buying process. It does not account for all of those elements taken into consideration by the consumer when he makes a buying choice. Specific considerations should include not only economic but non-economic elements such as an individual's psychological and sociological concerns, his family life cycle stage, his past experience, and various demographic characteristics (Brown, Dunn, and Savitt, 1976). What consumers perceive and the means by which they satisfy needs are functions of all of these elements. The application of early economic theory to buyer behaviour is limited by its neglect of such considerations.

Another limitation inherent in the economic framework of consumer behaviour is its view of the consumer and its assumption of rational behaviour. The limits of the conception of man as an economic being are recognized regularily in the literature (Lasswell and Kaplan, 1965; Allport, 1954; Kotler, 1971; Kotler, 1967; Price, 1968; Ferguson, 1972). It is generally accepted that 'economic man' is a theoretical being with no status in reality. Consumers do not have perfect knowledge of the marketplace nor do they always consciously rank all of their preferences. They are not able to predict the degree to which the goods will produce satisfaction since they may not be cognizant of their needs and wants. Not all men prefer larger to smaller bundles of goods and most assuredly not all marketplace behaviour is rational.

## 2. Non-Economic Factors That Influence Consumer Behaviour

The limitations of the economic view of consumer behaviour that have been outlined need to be dealt with if one is to fully comprehend the logic, or lack of it, behind consumer purchasing. This is not to say that economic concerns are not correlated with behaviour but rather that several variables may intervene in the buying process. There are psychological and sociological factors that influence purchase decisions. Learning and past experience are also important. Each of these will be discussed.

(a) Psychological Factors That Influence Consumer Behaviour - The psychological factors that influence consumer behaviour may be conscious, unconscious, or partly conscious. The presence of these factors is based on the assumption that "many of our actions are the result of motives of which we are not aware" (Stone, 1974, p. 26). Much behaviour is influenced by the personality of the actor. Personality, according to Freudian psychology is divided into the id, the ego, and the superego (Stone, 1974). The id is that element of personality that seeks satisfaction of primitive urges. The ego controls and governs the id and the superego. The superego is the equivalent of a moral conscience. The main contribution of Freudian theory to understanding consumer behaviour is its recognition of the fact that unconscious forces may affect behaviour (Stone, 1974).

Theories of consumer behaviour that recognize the influence of psychological factors on behaviour contend that consumers purchase in a fashion consistent with their self-identity (Horn, 1975; Ferber, 1973). A person's self-identity constitutes his ideas about who he is

and about what he can do. The former is typically referred to as one's self-concept, the latter as one's feelings of competence (Stone, 1974). An individual's self-concept includes his sense of self-esteem. A man's social orientation is part of this sense of self. The extent to which he is self-directed or autonomous affects his behaviour. A man's self-image and his sense of competence are highly interrelated. A sense of personal effectiveness is essential to his identity (Stone, 1974). A person's self or ego constitutes the core of his personality. The central attitudes that make up a person's identity, beliefs, and opinions are ego involved. Individuals consume in a manner that is consistent with their view of themselves or with the picture that they think that others have of them. To the extent that they place a high value on social acceptance or on a specific view of themselves, this will be manifested in purchase behaviour.

(b) Sociological Factors That Influence Consumer Behaviour - The self concept is a product of an individual's interaction not only with the physical world but with the social world as well. The self reflects both an individual's perception of himself as an object and his comparisons of himself with other people. Cooley (1902) found that an individual's self esteem was founded upon his perceptions of other people. That it was also dependent on objective indications of one's worth was later hypothesized (Stone, 1974).

That social norms operate and influence behaviour has been documented by Lasswell and Kaplan (1965). Theorists who adhere to reference group analysis and to opinion leader considerations are also said to believe that social norms affect behaviour (Leibenstein, 1971;

Veblen, 1899; Galbraith, 1977; Kretch, Crutchfield and Liuson, 1969; Kotler, 1975; Kotler, 1972; Robertson, 1971).

Reference group theorists view man as a social animal. The premise is that most people do not live in isolation, but are gregarious. Within this setting, man's wants and behaviour are seen as products of the group memberships he holds or aspires to. Members are assumed to have developed common sentiments or group norms because of their continual interaction. These sentiments or norms influence the behaviour of individual members of the group since conformity reduces potential conflict within the group. Thus individual purchases may be made because a given commodity is socially desirable or undesirable. Leibenstein (1971) summarizes these effects as a Bandwagon Effect, a Social Taboo Effect, a Snob Effect, and a Veblen Effect.

A commodity is said to produce a Bandwagon Effect if the demand for the good is increased due to the fact that others are consuming the same good. Consumption of the good is viewed as stylish since persons desire to conform to the group. A Social Taboo Effect is operative if people do not buy and consume the commodity because other people are doing so. They do not wish to be identified with that group. A commodity has Snob Effect if people are purchasing the commodity because it is exclusive or different. A Veblen Effect is operative if people are consuming a given product to be conspicuous (Veblen, 1899). Conspicuous consumption is "consumption designed exclusively to impress with the cost that was involved" (Galbraith, 1977, p. 61). The degree to which an individual aspires to belong to a given group may predispose him to consume more than he can really afford to in relation to his income.

(c) Learning and Past Experience as Factors That Influence Consumer Behaviour - Each time that a purchase is made learning takes place. Learning is "the systematic change in behaviour due to the effects of experience" (Narver and Savitt, 1971). There are three recognized ways by which an individual learns: conditioning, operant learning, and imitation.

The first type of learning: conditioning was initially recognized by Pavlov in the 1920's as an outcome of his experiments with dogs (Kretch, Crutchfield, and Livson, 1969). When an individual is conditioned to act in a certain way he learns to associate a certain cue or stimulus with a specific response. Certain stimuli come to elicit specific trained autonomic responses in the individual. In a new situation the person elicits a specific response or acts in a certain way because he has previously associated a stimulus present in that situation with a specific behaviour. He generalizes from that situation. Much of this behaviour is unconscious (Stone, 1974).

Each of the ways in which an individual learns illustrates the application of stimulus-response considerations. The four concepts fundamental to an understanding of such an approach are drive, cue, response, and reinforcement. Drive is a motivational concept. Drives impel behaviour. They do not determine direction. For example, a person may be driven to consume because he is hungry but he may consume any of a number of goods to satisfy this hunger. The presence of the drive, in this case hunger, does not direct his choice. Just as needs may be biogenic or psychogenic so may drives. A biogenic drive is one, like hunger, which is basic to life. Psychogenic drives are acquired and may be either social or psychological or both.

A cue is a stimulus in a person's environment that determines when, where, and how the subject will respond. The person's reaction to a configuration of cues constitutes his response. Any given response may be reinforced by positive experience or reward. Responses thus become generalized or remain discriminatory.

Operant learning, the second form of learning that was identified, is typically associated with Skinner (Kretch, Crutchfield and Livson, 1969). In Skinner's view man learns as a result of having been rewarded or punished for a certain behaviour in the past. Skinner uses the term positive reinforcement to refer to reward and the term negative reinforcement to refer to punishment. An individual is said to repeat behaviour when it is followed by a reward. In most cases the reward is social approval, though self-reinforcement also occurs. If a behaviour is self-reinforced it is rewarded by the accomplishment of a desired end. The most effective reward for a given behaviour is the approval of other people (Stone, 1974). Motor skills, cognitive styles, self-attitudes, and cognitive content may be learned by the process of operant conditioning.

The third form of learning, imitation refers to behaviour that results from one individual copying another. A child learns a considerable amount from imitating the behaviour of his parents, of other children, and of significant people in his life in this way (Stone, 1974; Kretch, Crutchfield and Livson, 1969; Selfridge, 1971; Elkin, 1964).

Within this framework a consumer's advancement through the buying process is a function of his past learning. This learning is influenced by different cues which may be changes in a buyer's preference

structure or stimuli that he encounters in the marketplace such as advertisements. To the extent that a consumer is satisfied with his purchase decisions, behaviour and attitudes are reinforced. Reinforced behaviour is likely to be repeated as the buyer behaviour of one period becomes part of the buyer structure for subsequent purchases (Brown, Dunn, and Savitt, 1976).

That learning and past experiences influence buyer behaviour is documented by Lambert (1954), Bettman (1970), Narver and Savitt (1971), Ward (1974), Ferber and Nicosia (1972), Kotler (1967), Kotler (1971), Howard and Ostlund (1973), Howard and Sheth (1969), Nicosia (1963), and Compton and Hall (1972). That two of the major reinforcements for behaviour are social approval and self approval is an accepted proposition (Lasswell and Kaplan, 1965; Ferber and Nicosia, 1972; Galbraith, 1977; Bem, 1970). Each of the theorists cited recognizes the impact of either a person's sense of self (psychological makeup) or his sense of community (sociological makeup) on buyer behaviour.

## 3. Conclusion

Thus it is apparent that a number of economic and non-economic factors influence consumer behaviour. The latter may be psychological, or sociological or they may stem from learning and past experience. Researchers, among them Bem (1970), Ferber and Nicosia (1972), Narver and Savitt (1971), Lasswell and Kaplan (1965), Stone (1974), Drucker (1976), Veblen (1899), Robertson (1971), Leibenstein (1971), Nicosia (1963), Price (1968), Kotler (1967), Kotler (1975), Allport (1954), Ferber (1973), and Compton and Hall (1972), recognize that each of these by themselves does not constitute a total explanation of economic

behaviour. The researcher did not find one current view purporting that consumer behaviour may be explained by considering only economic factors. Economic and non-economic elements must be considered in conjunction with one another to comprehend consumer behaviour.

An examination of the values that influence consumer behaviour is lacking. That values operate in the marketplace is noted in the work of Kotler (1975) and Price (1968). Howard (1977) recognizes that values are the source of the choice criteria for consumer decisions. He examines links between an individual's self-concept and his values as does Engel (1968). Other theorists, among them, Ferber (1973), Stumpel (1973), Engebretson (1966), and John (1956) have studied the relationship between values, purchase decisions, and economic and non-economic factors that influence consumer behaviour. The relationship of values to these other factors influencing purchase decisions will now be discussed. This material will be related to consumer credit use in a subsequent section.

## C. THE RELATIONSHIP BETWEEN VALUES AND CONSUMER BEHAVIOUR

Consumer action is determined by the total make-up of the consumer at the moment that an action takes place and by the total make-up of the situation in which he finds himself (Lazarsfeld and Rosenberg, 1955). To understand behaviour it is necessary to view it within this total system, which for purposes of this work will be referred to as the buying process.

The buying process begins when a consumer recognizes that he has a need to fulfill. At this point he begins to search for and evaluate

alternative methods of satisfying this need. The search terminates when the consumer purchases a product that in his estimation will satisfy his need (Engel, 1968). The process however, begins with a felt need. A need is a condition that requires satisfaction. Needs may be physical, psychological, or social in origin. One author, James A. Bayton (1968), classified them into two types: biogenic and psychogenic. Bayton used the term biogenic to include needs that are physiological such as hunger, thirst, warmth, and sex. He described psychogenic needs as those that arise from an individual's psychological state or from his relations with others. Psychogenic needs were classified as affectional needs, ego-bolstering needs, or ego-defensive needs. Bayton defined affectional needs as those that result from an individual's desire to have emotionally satisfying relations with others. He saw ego-bolstering needs as including those needs of an individual to enhance or promote personality, to achieve, to gain recognition or to control. Ego-defensive needs were defined as those which arise to protect the personality so as to avoid either physical or psychological harm or to avoid 'loss of face'. They are those needs of an individual to avoid anxiety.

Behaviour in most situations is not determined by any one need but by a combination of several (Bayton, 1968; Magrabi, 1966). Identical behaviour in two people is not necessarily a result of the same need. There may also be a difference between a 'true' need or motive behind a behaviour and that need or motive which a person rationalizes or recognizes.

Later in this thesis consumer goods are classified as satisfying either biogenic or psychogenic needs. The fact that several needs may

influence any purchase complicates this process. It is difficult to say not only which needs are biogenic and which are psychogenic but which goods satisfy these needs.

One way of defining this issue is to consider all of the goods that are budgeted for a family which is living on welfare to meet biogenic or needs basic to life and all other goods to satisfy psychogenic needs. This approach assumes that welfare budgets are designed to meet only basic needs.

The manifestations of needs and especially of wants are greatly modified by learning (Katona, 1951; Kretch, Crutchfield, Livson, 1969; Lindzey, 1954). The specific motives that are learned are reflections of the concerns of the social group to which the individual belongs and of his perception of himself as a member of these groups. "When a person has a strong driving concern in life whether it be for power, achievement, or affiliation, this dominant motive serves to organize and integrate almost everything he does " (Stone, 1974, p. 105). Motives are learned by an individual from the society in which he lives. An individual may not be conscious of the motives that direct him or of the needs from which these motives arise. Buyers may be motivated by symbolic as well as by economic-functional concerns (Levy, 1959; Stone, 1974; Nicosia, 1963; Howard and Sheth, 1968; Kretch, Crutchfield, and Livson, 1969).

Within this framework buying is considered to be a problem solving process. The process is directed towards the goal of satisfying a particular need. Goals are value-based objectives (Maloch and Deacon, 1966). A person brings with him into the buying process his values which have been shaped by previous experiences and social training

(Kotler, 1967).

The final purchase decision is actually made up of a number of decisions. The consumer must choose a product, a brand, a style, and quantity as well as a method of financing. Present purchases are influenced by what the consumer has learned from past purchases. His decisions are influenced by his values as well as by what he perceives to be the values of significant others in his life (Kotler, 1967). A person buys according to how he evaluates the relative value of different goods. The decision maker has control since he is able to expend his resources to attain specific goals or to adjust his valuation of goals according to his resources (Magrabi and McHugh, 1963). Thus the decision maker chooses the means and the ends towards which those means will be applied. The degree to which he is satisfied with his final decision is dependent on how he sees it as having served his values (John, 1956). The more an individual considers the attainment of an item to have been essential to him and to have met his values and satisfied his needs, the greater will be his satisfaction with it.

In this process products become symbols and symbols and higher order entities including values, are reduced to products (Arndt, 1976). A symbol is something that stands for something else. To be meaningful it must be associated with the same thing by a group of persons. Goods become symbols in specific groups (Veblen, 1899). They become social tools since they are symbols that serve as a means of communication between the individual and his significant references (Grub and Grathwohl, 1970). Through the use, possession, or ownership of

specific goods, consumers can convey a desirable social meaning and can obtain favourable reactions from significant people (Kretch, Crutchfield and Ballachery, 1970). They can also enhance and support self-concepts (Grub and Grathwohl, 1970; Howard, 1977; Bonner, 1970). Individuals select brands because they see them as congruent with their self-images (Martin, 1973; Douglas, Field and Tarpey, 1970).

A person's values operate within this symbol purchasing process to motivate one as a consumer initially. They determine either consciously or subconsciously the needs one will have, recognize and be predisposed to act upon (Horn, 1975). As part of an individual's psychological make-up values dictate what sorts of products they are likely to buy (Ferber, 1973). Once a need is perceived, values direct consumers in their search for alternative means of satisfaction (Sheldon, 1973). Thus the person's final choice is a result not only of experience and information but of values, and goals which are formed in advance of action (Sheldon, 1973; Phelan and Ruff, 1961; Nicosia, 1963; Gross, Crandall, Walbert and Knoll, 1973).

## D. THE VALUES THAT INFLUENCE CREDIT USE

As can be seen from the former discussion it is critical to examine values if one is to understand credit financed consumption because values determine the 'expectations' which credit is used to finance. These values may be manifested economically, socially, or psychologically. If only economic values were relevant an individual or family would use consumer credit only up to the point where the

monetary and non-monetary returns from doing so were equal to the costs of it, be these costs monetary or non-monetary. An individual or family would operate within the constraints of his or its income and asset structure (Ziegel and Olley, 1966). Within such a system overextension in credit would not exist, as the statement presupposes that consumers would act rationally, basing their decisions on a knowledge of how one should operate in the credit marketplace.

The pitfalls of such an approach are the same as those of the early economic interpretation of consumer behaviour. There is abundant evidence illustrating that the present day consumer is all but ignorant of the economic fundamentals of our society, which include the basic elements of credit (Black, 1961; Canadian Welfare Council, 1970; Caplovitz, 1963). Since consumers lack this knowledge they are ill-equipped to make financial decisions. This inadequacy is complicated by the fact that non-economic values and elements influence credit use behaviour. Past experience, as well as psychological and sociological concerns, influence credit financed consumption just as they influence consumption that is financed with cash. The degree to which a person values social interaction will influence the extent to which he will conform to the value system of those whose company he desires. His ability to meet and identify with the expectations of others will influence what he expects of both himself and of others. If one's reference group defines possession as indicative of success he is likely to come to value possession, to strive for it, and to define himself in relation to it. If his reference group defines possession as a vice he is likely not to value it. Depending on how significant

people in a consumer's life define credit he may use it as a method of financing not only biogenic needs but psychogenic needs as well. Since most persons in our affluent society earn enough to finance biogenic needs by cash, it is anticipated that credit is used to finance primarily the latter, although it is recognized that a good purchased with credit may satisfy both simultaneously.

That consumers use credit to finance psychogenic needs may be used as a basis for statements about how individuals and their reference groups view consumption and about how they view the importance of various needs that they use credit to satisfy. It is helpful here to remember that psychogenic needs as defined by Bayton (1968) and as used in this thesis include those needs that arise from an individual's psychological state or from his relations with others. As people are financing these needs, consumption has become value oriented in our society.

The researcher does not mean to imply that it is not necessary or important to satisfy psychogenic needs. The point being made is that there are ways other than those manifested economically by which these needs may be met. Consider for example the need of an individual to achieve. Although an individual's success in meeting this need may be demonstrated with purchases it may also be demonstrated in more abstract ways, for example: in the capturing of a sunset on canvas, by running an extra mile, or by making a new friend. While it is possible to satisfy psychogenic needs in other than economic ways it is not possible to meet biogenic needs in our society without encountering the economic system. We live in a market society. Basic necessities of

life such as food, clothing, and shelter must be purchased.

The pursuits of material wealth now provide "a framework of assumptions, ideas and values incorporated into the perspective of an individual to guide analysis, interests and commitments into a system of meaning" (Clement, 1975, p. 270). Consumption has become more than an end that individuals strive to attain. It has taken on the purpose of impressing others (Veblen, 1899). Consumption has become a socially defined mode of competition. We no longer compete by doing but by showing. We have come to consume conspicuously (Veblen, 1899). Since money and goods define one's status, the meaning of consumption extends beyond the utility of the goods and services acquired. They are an expression of one's relative status (Schneiderman, 1963). Those who appear prosperous achieve status. As stated by Thorstein Veblen (1899):

> "Unproductive consumption of goods is honourable, primarily as a mark of prowess and a prequisite of human dignity; secondarily it becomes substantially honourable in itself, especially the consumption of the more desireable goods." (p. 37)

Notably, it is the possession or consumption of an object that is important when speaking of conspicuous consumption and not the object itself.

Consumer credit allows for the perpetuation and expansion of the unproductive but 'showy' consumption referred to by Veblen (1899). It provides a method by which some people are able to 'cheat' by 'advertising' a higher status than they are entitled to or can afford. As there are no apparent penalties for this cheating many try it. Some 'advertise' themselves into poverty.

When Veblen coined the term conspicuous consumption in the nineteenth century, he recognized that the possession of consumer goods provided a means which people use to relate to one another. This is

clear from his reference to the fact that in our society we rank each other according to these possessions (Veblen, 1899). It appears that we have now carried conspicuous consumption to its logical conclusion. We measure the worth not only of others, in terms of their material wealth, but also judge our own self-worth by this criterion. The value of consumption has been internalized. It is possible that all of the non-economic factors influencing behaviour that were discussed earlier are relevant to the way in which Canadians use consumer credit.

It may be said that consumer credit is available to finance self-images and social relationships. To the extent that individuals and families learn this they may use credit in this manner. In any case in our consumption oriented society they may be taught to desire a larger over a smaller bundle of goods and that credit is readily available to help make those purchases. People can come to value possession and to see it as a means for satisfying a host of needs. This value determines in large part the manner in which both credit and cash are used.

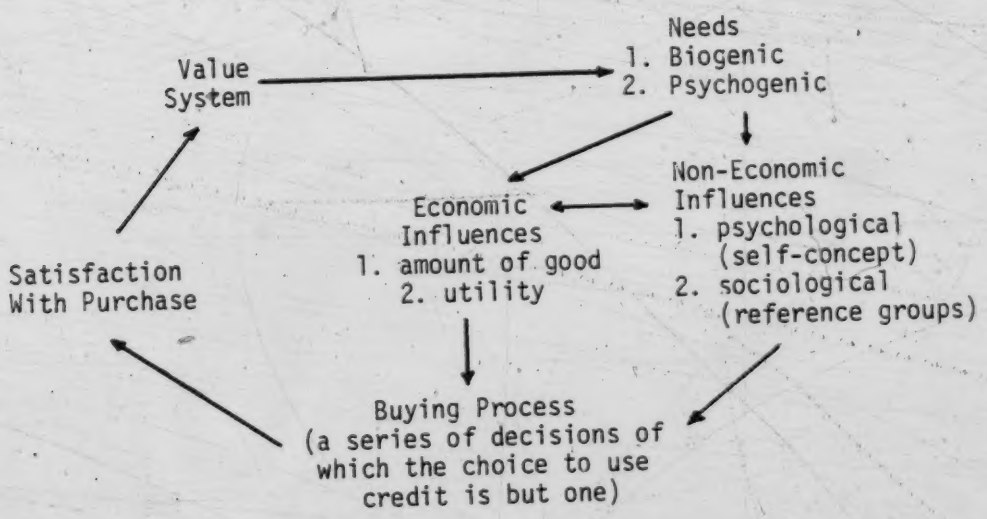
Thus one overlying value, that of possession, may be influencing the use of credit. Possession is both psychological and sociological in nature. It determines the utility value of available alternatives to satisfy psychogenic and biogenic needs. The perceived utility of a commodity may be enhanced or diminished by non-economic factors such as the degree to which others are consuming the same commodity and the degree to which a commodity fits the consumer's sense of self-identity. If the utility of a commodity is enhanced by these considerations a consumer will be more likely to want to possess that good even if this requires going into debt.

E. SUMMARY

The framework within which credit use is being considered is portrayed in Diagram Number 1, an explanation of which will summarize this chapter.

DIAGRAM 1

THE RELATIONSHIP OF VALUES TO CREDIT USE




Consumers purchase specific goods in order to satisfy needs that they perceive and consider to be important. These needs may be either biogenic or psychogenic. Exactly which needs individuals recognize and the relative importance of these is value determined.

A person's needs determine his behaviour in the buying process. Economic and non-economic factors may intervene. The actual impact that each of these has on purchasing is determined by the importance of the need being satisfied to the individual, who has the power to decide which of these variables are relevant.

After completing the buying process the individual will experience either satisfaction or dissatisfaction with his purchase. This will be a function of the extent to which he sees his need as satisfied relative to the opportunity cost of not satisfying other needs. This relative satisfaction in turn influences the individual's value system.

Within such a framework the decision of a consumer to use credit is but one of the decisions that he makes in the buying process. Choices of product, brand, style, and place are among others that are made. Whether or not a consumer uses credit to finance a good depends upon how important he sees the possession of that item to be. This in turn depends upon the relative importance of the need or needs that this good satisfies. If credit is used to finance goods that are bought because of their perceived ability to satisfy psychogenic or social and psychological needs it is presumed that these needs are strong. If the needs were weak, consumers would not likely incur debt to meet them. The financing of social and psychological needs indicates that individuals satisfy these needs economically. Success in satisfying them is demonstrated by the possession that credit is used to finance. In this way possession becomes a value-determined amount and quality of consumption required for the satisfaction of a need. The importance of satisfying psychogenic needs economically thus justifies extending one's income to purchase. Subsequent satisfaction with a purchase influences the value system of the consumer and becomes part of his frame of reference for future purchase decisions. To the degree to which the consumer continues to see purchases as satisfying his needs and in harmony with his values the behaviour is reinforced or changed and the cycle continues.

It is a rare person, one who is insightful and aware of his motives, who will be cognizant of the relationship between his use of credit and/or cash, his needs, and his value system. Until people become aware of this interrelationship many of the difficulties that they incur in the marketplace, particularily with overextending themselves in credit, cannot be alleviated. The process by which people may come to divorce their perception of having satisfied psychogenic needs through purchase behaviour can be shortened if proper consumer education is introduced into the marketplace. Ideally consumer credit would then be used strictly as a convenience. It would cease to finance psychogenic need satisfaction, which is most certainly crucial to a person's self-image and social self but which may be met in non-economic ways, decidedly less concrete. The problem is not only to educate people on the use of credit but on how to resist the relentless propaganda that urges them toward conspicuous consumption.

Thus this work is concerned with the overriding value - possession. Man has psychogenic needs which are strong. Internalized social values state that these needs will be satisfied by showing that one is worthy. This is demonstrated by possession. Possession becomes value determined and in essence a value itself. People extend their incomes through the use of credit in order to possess since this possession satisfies their other needs. Hence, by considering the needs that people satisfy when they purchase goods on credit, one comes to learn about the value possession.

# CHAPTER IV

## RESEARCH DESIGN

In this study husbands and wives from families who had become overextended in consumer credit were interviewed together in their homes. Probing techniques were used to learn about the values that influence their use of credit. To indicate the values of these families information was collected about their past and current use of credit, in particular the specific goods that were financed with credit, and the importance of economic goals in their lives.

The process of data collection and analysis will be discussed in the following pages. First however, the research questions will be stated, assumptions of the research outlined and relevant terms defined.

### A. RESEARCH QUESTIONS

The main question that this research planned to investigate was: What are the values that influence the use of credit in a select group of Canadian families who have been or are currently overextended in consumer credit? In order to understand this complex question two related questions have been asked:

1. Do members of a select group of Canadian families who have become overextended in consumer credit use credit to finance biogenic needs or do they use it to finance psychogenic needs? and,

2. Are the families in this select group of families economically oriented?

## B. BASIC ASSUMPTIONS

This study rests on acceptance of the proposition that values influence behaviour and that therefore observed behaviour can be used to indicate values. More specifically, it is assumed that the products that an individual finances with consumer credit can be considered the end result of a behavioural process: purchasing. Therefore these products and the needs that they satisfy may be examined to learn about the value system of the persons purchasing the products. This idea of considering purchase to be representative of values, although subject to limitations, is not unique to this work. Other researchers, among them, Chisnall (1975), Sheldon (1973), John (1956), Horn (1975), and Schlater (1973), have attempted to make statements about consumer values based on knowledge of the goods that they buy. These studies among others were referred to in the section of the second chapter entitled 'The Relationship Between Values and Consumer Behaviour.'

## C. OPERATIONAL DEFINITIONS

The following terms will be defined in this section: consumer credit, overextended family, value, need, biogenic need, psychogenic need, and an economically oriented family.

1. Consumer Credit

Consumer credit is an amount or a sum of money placed at a person's disposal before he has earned it with time given for payment so that the person can possess or consume goods or services. It includes balances owed to retail credit outlets, sales finance companies, life insurance companies on policy loans, chartered banks, credit unions, service institutions, and other individuals. Mortgages are not included in the definition of consumer credit.

2. Overextended Family

An overextended family is a family that seeks professional help to remedy its financial situation. Thus the family has used credit to the point that it can no longer cope with the consequences.

3. Value

A value is a basic personal orientation or underlying belief about life. One's values are one's deeply-felt conception of what is good or bad for oneself and for others in one's groups.

4. Need

A need is a condition that requires satisfaction.

5. Biogenic Need

A biogenic need is a need that is psysiological in origin. Biogenic needs include hunger, thirst and warmth (Bayton, 1968).

6. Psychogenic Need

A psychogenic need is a need that is psychological or social in

origin. It arises from an individual's psychological state or from his relations with others. The needs to achieve, to gain recognition, and to avoid 'loss of face' are examples of psychogenic needs.

7. An Economically-Oriented Family

An economically-oriented family is one that uses credit to meet psychogenic needs and is motivated to achieve economic goals.

D. MEASUREMENT

The researcher developed an instrument (see Appendix II ) which was used to gain information from families who either were or had been overextended in consumer credit about their values. The instrument used was an interview schedule.

This portion of the thesis will outline the factors taken into consideration when developing the interview schedule, the method by which it was pretested, changes resulting from the pretest and a description of the instrument itself. Sample selection, data collection and data analysis will be discussed subsequently.

1. Considerations Taken Into Account When Designing The Interview Schedule

The interview schedule was designed with the following considerations in mind:

(a) that the language be simple and the questions clearly stated to increase the level of comprehension of respondents and to avoid

differences in interpretation between individuals,

(b) that checks on financial information supplied by respondents be present. Thus respondents were asked not only their gross yearly income, but their net monthly income by source. They were asked about their debts individually and about their aggregate debt load,

(c) that the questionnaire begin with questions that would not threaten the respondents and to which there is not a readily apparent socially acceptable answer, and ,

(d) that at the end of each formal interview an opportunity be provided for the respondents to discuss their current and past financial situation, use of credit,and the study in general.

An open-ended interview schedule was chosen over a questionnaire since it provided an opportunity for families to talk about issues that they may have been reluctant to write about. Comments made by respondents provided worthwhile supplementary information to a standard questionnaire. It was felt that respondents may have spent more time and effort giving information when they were contacted personally. An interview schedule was considered to be much more flexible for obtaining answers than was a questionnaire. It provided an opportunity for questions to be repeated, rephrased,and clarified as well as for probing. Through direct confrontation with respondents,the interviewer gained deeper insight into the problem being studied.[3]

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3. The advantages of an interview schedule relative to a mail-out questionnaire have been discussed in various social research texts (Compton and Hall, 1972; Selltiz, Jahoda, Deutsch, and Cook, 1959; Selltiz, Wrightsman, and Cook, 1976).

2. Pretest

One stage of the development of the interview schedule involved the researcher in pretesting the schedule with three families not included in the sample group. These families were not selected randomly and were not currently overextended. The interview schedule was also given to counsellors at the Alberta Department of Consumer and Corporate Affairs for their comments.

3. Changes That Resulted From The Pretest

Pretesting the interview schedule proved to be useful since it demonstrated:

(a) that the questions in specific cases were not clear,

(b) that it was necessary to omit detailed questions about the history of credit problems that may threaten respondents,

(c) that the interview schedule was too long. It took two to three hours to complete.

As a result of pretesting, questions in the section on family finance were altered so as to make them more straightforward. The language in the entire interview schedule was simplified and portions that questioned respondents intensely about their family problems were ommitted. The ommission of questions examining family problems and tracing the history of the current family situation satisfied the family financial counsellors who objected to such intense questioning, and shortened the interview schedule. It was also determined that several of the family finance counsellors felt that direct questioning of respondents about their values would be of little merit. The coun-

sellors felt that family members would respond in what they considered to be the most socially desirable manner. The researcher found that family members in the pretest group had given little thought to their values. Subsequently, the researcher decided not to ask direct questions about values in the interview schedule.

4. The Instrument

The researcher developed an instrument (see Appendix II) which was to be used to gain information from families, who either were or had been overextended in consumer credit, about their values. The instrument was an unstructured interview schedule. It was made up of eight major sections:

Section A General information,
Section B Family financial data,
Section C Attitudes towards credit and borrowing,
Section D Basic credit and banking knowledge,
Section E Credit use behaviour,
Section F Family budgeting and money handling practices,
Section F Parental effect, and,
Section H General comments and discussion.

The following data was collected under each section:

Section A General Information

(a) age of each spouse
(b) marital history
(c) number and age of children

(d) number of people each home supports

(e) whether respondents rent or own the home in which they live

(f) amount of rent or mortgage

(g) employment history

(h) educational background.

Section B Family Financial Data

(a) income of responding families

(b) source of income

(c) the perception of respondents about their current family income relative to the income that they expect to receive in the future and to their past income

(d) opinion as to whether or not it is possible for families to save money on a regular basis under current economic conditions

(e) amount and form of family savings and assets

(f) use of credit (ie.) to whom families owe money, for what purposes they had borrowed or financed, the amount involved, and the source of the credit

(g) use of credit cards

(h) if families have ever felt pressured into using credit and if so by whom

(i) if families plan to use credit in the future and if so for what reasons

(j) if families use credit because it is convenient for them or if they use it because they do not have the cash to pay for an item

(k) how much families spend on various expenses each month

Section C Attitudes Towards Credit And Borrowing

(a) opinions on whether credit buying is good or bad

(b) if families consider credit buying to be a necessity for them at present and if they consider it to have been a necessity for them at any time in the past

(c) whether or not families feel that they get good value for the money that they spend on credit purchases

(d) opinions of families about whether they think it is a good idea to use credit to obtain a specific list of items: usually, sometimes, or never

(e) which of the items in the above list the families have personally used credit to finance

(f) the opinion of families about how much money they feel that a man earning $10,000 each year who is supporting a wife and two children can safely owe.

Section D Basic Credit And Banking Knowledge

(a) eleven basic knowledge questions relevant to the use of consumer credit

Section E Credit Use Behaviour

(a) whether or not respondents comparison shop for credit

(b) whether or not they actively seek out information about credit

Section F Family Budgeting And Money Handling Practices

(a) whether or not families budget

(b) what specific budgeting techniques they employ

(c) whether or not a family's financial plans turn out as they anticipate

(d) how families view their current financial situation

Section G Parental Effect

(a) the indebtedness of the parents of respondents

(b) the money handling practices of parents

Section H General Comments And Discussion

(a) whether families felt that some of their problems with credit could have been avoided if they had planned their expenses

(b) the history of the families credit use and how they became overextended in credit

(c) if the family considers their financial problems to have been the result of circumstance, or poor management, or lack of money, or a combination of these

(d) who was present at the interview

(e) other relevant points of the discussion with respondents —statements about the values of respondents were based on what was found out about:

1. the needs that credit was used to finance, and
2. whether or not the families, who had become overextended in consumer credit, were economically oriented.

Each of the families included in the sample group was to be considered relative to these dimensions.

In order to learn about the needs that credit was used to finance, a list was made of the specific goods that responding families had used credit to finance. This list was examined and divided into the two categories of those goods that were purchased to satisfy biogenic needs and those goods that were purchased to satisfy psychogenic needs. As stated at the beginning of this chapter, biogenic and psychogenic needs were defined as they were by Bayton (1968). The division of specific goods according to the needs that they satisfied was somewhat arbitrary. This approach has not been taken in other work.

Consumption of the following goods was said to satisfy biogenic needs: taxes, food, home mortgages, medical bills, basic clothing, utilities, appliances such as a stove and a refrigerator, school supplies, and basic household furniture. These goods have been defined by the Alberta Provincial Government Department of Health and Community Services as items necessary to live in our society. Each of these is included in the standardized budget for a family whose main source of income is social assistance. Credit used to finance vacations, jewellery, Christmas gifts, post-secondary educational expenses, a car and related items (unless a car is a condition of employment), furniture and appliances (such as coloured television sets, dishwashers, and microwave ovens), stereos, land and investments, entertainment, and clothing (such as fur coats), was considered to fulfill secondary needs.

The researcher realized that there was room for dispute about which goods satisfy biogenic needs and which goods satisfy psychogenic needs. Different cultures view this in varying ways. One good may satisfy both biogenic and psychogenic needs and the needs that a par-

ticular good satisfies will vary between and within individuals over time. The presence of these factors could not be controlled. Thus the specific goods credit was used to obtain were examined and a judgement made about which needs they satisfied. This provided an answer to the first research question about the needs that credit was used to finance. The judgement as to which need a good satisfied was based on whether or not it would be included in a 'welfare' budget. Items that would be included in such a basic budget were said to satisfy biogenic needs. Other items were said to satisfy psychogenic needs. That the consumption of any one item may satisfy several needs is discussed in Chapter III.

Information about the specific goods that families used credit to finance was obtained from the questions outlined in Table 1 below.

TABLE 1

AN OUTLINE OF QUESTIONS USED TO DETERMINE THE GOODS THAT FAMILIES USED CREDIT TO FINANCE

| Question Number | Information Elicited |
|---|---|
| 22 | Purchases made on installment plans |
| 23 | Whether families used oil company credit cards |
| 24 | Purchases made from loans with regular payments |
| 25 | Purchases made from loans with no regular payments |
| 27 | Money owed for specific miscellaneous expenses |
| 39a | Goods credit has been used to obtain |
| Open Interview | General comments about credit use |

Information gleaned from the division of the specific goods that families have used credit to finance into whether or not they satisfied biogenic or psychogenic needs was used in conjunction with information about the goals that families were striving to attain to determine whether or not the families were economically oriented.

As it was defined at the beginning of this chapter in the section entitled operational definitions an economically-oriented family was said to be one that used credit to meet psychogenic needs and that was motivated to achieve economic goals. In order to probe the goals that respondents were trying to reach answers to question number 11c from the section 'General Information' were examined. In this question families were asked about the reasons that they either stayed in or left specific jobs. If respondents indicated that they either stayed in or left specific jobs because they were able to earn more elsewhere or because the economic benefits were satisfactory they were viewed as striving to achieve economic goals. If they listed non-economic reasons such as liking their fellow workers, or the hours of work they were viewed as striving to reach other than economic ends. The merit of this approach to finding out about the economic orientation of families was recognized in research completed by Burkard Strumpel that was reported in Eleanor Sheldon's book entitled Family Economic Behaviour: Problems and Prospects (1973).

Answers to both of the outlined questions on the needs that credit was used to satisfy and on the economic orientations of families provided insight into the extent to which families held the value of economic well being and possession and into the extent to which social and psychological values were manifested economically. The presence

or absence of other specific values was not determined. Since the study was exploratory and investigation preliminary this was not seen as a fault in the work.

Once the families were discussed in relation to the two specific research questions the researcher attempted to compare what was found out about families who had received counselling in the past with families who were receiving counselling at the time of the interview. The purpose of this comparison was to determine whether or not there was a difference in the orientation of those who had successfully solved their credit problems and those who were still in the process of working through their credit related difficulties.

5. Sample Selection

Past studies of consumer credit have overrepresented members of low income groups and of bankrupt families. In light of this the researcher investigated non-bankrupt families that had average and above average as well as low income levels. The families chosen tried to solve their debt problems through counselling rather than by declaring bankruptcy. The sampling method employed was non-random.

The researcher approached the Alberta Department of Consumer and Corporate Affairs Family Finance Board to obtain a list of people to interview who:

1. had been overextended in consumer credit and whose files had been closed because they had successfully worked through their problems, or
2. were currently receiving financial counselling.

Two conditions were placed on families who were included on these two

lists. Each family had to have both an adult male and an adult female who were legally married and cohabiting. The family had to reside in either Edmonton, Sherwood Park, St. Albert, Spruce Grove or Fort Saskatchewan. The first condition was imposed to ensure that only families were interviewed and the second to limit the group to an area which was accessible to the researcher by car. Only files that had been closed within the past year were included in the first category. This restriction was included in the hope that it would eliminate problems that result from trying to locate families who have moved. Only families whose files had been closed because the family had successfully resolved their problems were included. Families whose files were closed unsuccessfully due to default were not considered. Since part of the study was to compare what was found about the two groups in order to provide recommendations about credit counselling,it was decided not to include families who had defaulted on payment and terminated counselling.

The Family Finance Board agreed to participate in the study after meeting with the researcher to discuss the nature of the work and after participating in the development of an instrument. The Board had recently computerized the files of its current clients. In order to obtain a list of families who were receiving financial counselling at the time of the interview,officials selected a file number at random and compiled a list of every tenth case on a computer read-out beginning with that number. The finance counsellors responsible for the cases then examined the list and eliminated from it all families that did not meet the sample requirements. Thirty-seven families were chosen in this fashion.

Since closed files had not been computerized, in order to provide a list of families who had obtained financial counselling in the past, a different approach was taken.

Each family finance counsellor with Consumer and Corporate Affairs compiled a list of names of all of their past clients whose files had been closed between January and July of 1976. Out of thirty successfully closed files eighteen met the sample requirements.

Each of the families whose name appeared on the lists provided by the Family Finance Board was sent a letter asking for their cooperation in the study (see Appendix 1). Each family was phoned within one week of when they would have received the letter to find out if they would agree to participate in the study. In cases where the answer was affirmative, arrangements were made to obtain some basic information about the family, by which families could be matched. The variables used for this purpose were: age of respondents, length of time married, number and age of children, number of dependents, employment status of the wife, and income. This information was gained by visiting families in their homes. Seventeen out of the thirty-seven families whose names were provided as currently receiving counselling and seven out of the eighteen families who had received counselling in the past also agreed to participate. Two cases from each group were analyzed. Each of these families was selected because it shared some similarities with one other family from the opposite category on the specific demographic variables outlined previously. The sample used, therefore, consisted of two matched pairs of families, that is, two families who had received counselling in the past but whose file had successfully been closed and

two families who were receiving counselling at the time of the interview. The sample therefore consists of four families selected non-randomly. A more detailed description of the research sample families is contained in Chapter V.

## 6. Data Collection

After an appointment had been made via the telephone the researcher visited the homes of respondents to deliver the interview schedule. In one matched set, both the husband and wife were present at the time of the interview. The wife only was present in both cases of the second matched set.

In the two cases where it was not possible to interview both spouses together preference was given to interviewing the wife. Previous research indicates that she usually carries out most of the purchase decisions and therefore is the more reliable source of information about these decisions (Wolgast, 1958; Ferber, 1973).

Respondents were provided maximum opportunity during the interview to discuss their situations with the researcher. Each interview took one and one half to two hours. Each of the interviews was completed by the researcher. The interview schedule was followed as closely as possible. The material was varied only if the respondents did not understand what was being asked of them. Answers to questions were written down at the time of the interview.

The only point at which interviews may have varied was in the final discussion section. At this stage the researcher spoke freely with respondents about their experiences with credit and about the

research in general. It was within this discussion that the interviewer followed up inconsistencies in the answers of respondents that were apparent during the interview schedule. Respondents were provided maximum opportunity to discuss their situations with the researcher. The interviews were conducted during the autumn of 1976.

## 7. Data Analysis

Descriptive techniques were employed to analyze data. The sample was not large enough to warrant the use of inferential statistics.

In order to discover values of the respondents, the needs that families used credit to finance and their economic orientation were examined. This was done by dividing the goods that they used credit to finance into those that satisfied biogenic needs and those that satisfied psychogenic needs and by considering the reasons that family members either stay in or left specific jobs. No attempt was made to examine specific values in relation to one another. For example, economic values were not compared to aesthetic values. The intent was to discover if the four families interviewed appeared to value material goods or possession beyond what was necessary to meet their physiological requirements. If this proved to be the case, it would indicate that potentially non-economic values are manifested economically among these four families.

Families who were receiving counselling at the time of the interview were compared to families whose files had been closed to see if there was a difference between them that could be attributed to counselling.

## E. SUMMARY

Two matched sets of families, each consisting of one family who was receiving counselling at the time of the study and of one whose file had been successfully closed prior to the study, were interviewed in their homes.[4] Information was obtained on the goods that they used credit to finance and on the reasons why they stayed at or left places of employment. Thereby the extent to which non-economic values were manifested economically could be determined.

A more detailed description of the families will be reported in the next chapter as will be information pertaining to the research questions outlined earlier.

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4. The original sample consisted of thirty-seven families who were currently overextended in credit and eighteen families who had been overextended in credit in the past. Of these families twelve in the first category and seven in the latter category agreed to participate. Each of these families was interviewed because the demographic data on which the families were matched was not available until an interview had taken place. The researcher also interviewed ten families who had never became overextended in credit. These families have not been included in the research since they could not be matched with families in the remaining two sample groups.

# CHAPTER V

## RESEARCH FINDINGS

It is the purpose of this chapter to describe in detail the research sample. Once this has been done, the findings of the research will be presented and discussed as they relate to the research questions.

### A. DESCRIPTION OF THE RESEARCH SAMPLE

The four families in the research sample made up two pairs of matched sets. One family of each set was receiving counselling at the time of the interview. The other family had obtained financial counselling prior to the interview but had successfully resolved their problems and was no longer receiving help. Each of the four couples was legally married. Three of the families lived in Edmonton and one resided just outside of Fort Saskatchewan. A detailed description of each of the families according to the variables by which families were matched constitutes Table 2. A discussion of this table will follow.

TABLE 2

A DESCRIPTION OF THE RESEARCH SAMPLE

| Variable | Families who were obtaining counselling when interviewed | | Families who had received counselling prior to the interview | |
|---|---|---|---|---|
| | Family #1 | Family #2 | Family #3 | Family #4 |
| age of husband | 35 | 26 | 40 | 35 |
| age of wife | 33 | 21 | 36 | 28 |
| time married (yrs.) | 14 | 6 | 13 | 8 |
| number of children | 3 | 2 | 3 | 2 |
| ages of children | 12,11,8 | 2,4 | 10,7,6 | 2,4 |
| number of dependents | 3 | 2 | 3 | 2 |
| employment status of wife | employed full time | not employed | employed full time | not employed |
| gross income for 1975($) | 18,500 | 10,000 | 16,000 | 10,500 |

One matched set of families, namely #1 and #3, was each composed of two parents and three children. They lived on a gross yearly income of between $16,000 and $19,000. The children were pre-adolescents. The wives were employed full time outside of the home. Each of the couples had been married between ten and fifteen years. The adult members were between thirty and fourty years of age.

The second matched set of families, notably Family #2 and Family #4, each had two dependent children with no other dependents. The two adult members and two dependents lived on a gross annual income of between $10,000 and $11,000. The children were of pre-school age. The

wives were not employed outside of the home. Each of the couples was between twenty and thirty five years of age.

Given the fact that the number and ages of dependents and the gross annual income of each of the two sample sets were similar, it is felt that families in each set were facing similar budget constraints and budget choices. The two sets were comparable, not only because they were demographically similar but because each of the four families had used consumer credit to that point where it had become overextended in consumer credit and had gone for counselling to help alleviate its problem.

## B. DATA ANALYSIS

Within this section each of the research questions will be restated, the method by which the question was examined briefly reviewed, results presented and conclusions stated. A discussion of the findings will follow in each instance. Information given in this section forms the basis for the researcher's concluding remarks which are presented in the sixth and final chapter of this thesis.

### 1. Question Number One

Do members of a select group of Canadian families who have become overextended in consumer credit use credit to finance biogenic needs or do they use it to finance psychogenic needs?

(a) Method of Examination - A list was compiled from each interview schedule of the goods that each of the four families had either

used credit to obtain in the past or were currently using credit to obtain. The lists were examined to see whether each of the families was using credit to finance biogenic or psychogenic needs. The division of goods into those that satisfied biogenic and those that satisfied psychogenic needs was made on the basis of which goods would be allowed on a 'welfare' budget. The terms were defined according to Bayton's (1968) work. Comments of respondents about their purchases and credit related behavior wereconsidered relevant to this division.

(b) Results - Family #1 (as labelled in Table 2) has used consumer credit to finance two vehicles, a vacation trip abroad, miscellaneous household furnishings,appliances, Christmas gifts, and to consolidate loans. One of the vehicles that was financed was purchased second hand. The other was bought from the factory. The wife, who was interviewed in this case as representative of the family, stated that a major part of the financial difficulties that her family had encountered stemmed from their irresponsible approach to using credit. The respondent said that she and her husband had found it too easy to charge a number of small items on department store credit cards in particular. These small items consisted of a large number of items bought on impulse. They included clothing for members of the family, small items for the house, and other miscellaneous things. Before the family realized what had happened,they had become overextended. This lady referred to the fact that she and her husband seemed to forget that they had to repay all that they had charged,until it was too late. She felt that the purchase of a second car had contributed to their problems. She stated that they did not really need the car, particu-

larily one that was brand new, and that the only reason that they had purchased it was because her husband had always wanted a 'fast' car.

The family referred to as Family #2 in Table 2 had used consumer credit to finance food, jewelery, two new cars for which they were the first owner, Christmas presents and to consolidate miscellaneous bills. In this case, both the husband and wife were interviewed. The couple attributed their financial problems to the fact that they were unable to handle credit. They stated, as did Family #1, that it was easy for them to lose track of the amount that they spent on credit and that for them, credit buying had become a habit rather than a convenience or a debt instrument. This couple stated that one of their problems was that they had used credit to pay for items that they did not need and could not afford. (Goldberg (1968) found this to be a characteristic of the overindebted families that she had studied.) Once again the family cited the purchase of two vehicles as constituting one of the major reasons that they had found it necessary to obtain credit counselling. In the words of the respondents, "The purchase of a second car was the straw that broke the camel's back."

The third family that was interviewed, labelled Family #3 in Table 2, had used credit to finance the purchase of two new vehicles, food, post-secondary education, expenses due to illness, miscellaneous bills, furniture, and Christmas presents. Unlike the other cases that have been discussed, one of the vehicles purchased was necessary for the husband's employment. Despite this the wife who was interviewed, felt that they had spent far more than was necessary to meet this need. The respondent felt that they could have purchased a second-hand vehicle

but that her husband would not have it'. Although she enjoyed the convenience of having a second vehicle around the home, the respondent again stated that strictly speaking it was not a necessity and that again, she and her husband could have purchased a second-hand vehicle. This lady felt that the reason that her family had become overextended in consumer credit stemmed from the couple's careless and immature approach to the management of credit. She stated, as did the woman who was interviewed from Family #1, that credit had enabled her to finance goods that her family did not need and could not afford. She stated that this was more of a problem when she went shopping while depressed. At these times she made a number of purchases either for her family, herself, and her home. That made her 'feel better'. It was often not until the end of the month, when the bills came due, that she realized the consequences.

The last family, Family #4 as labelled in Table #2, had used credit as did the others to finance the purchase of two new vehicles. They had also used credit to finance payment of taxes, food, post-secondary educational expenses, expenses due to illness, the consolidation of various bills, and Christmas presents. Once again, the husband and wife, who were interviewed together, cited the purchase of two new cars as leading to many of their difficulties with credit. They stated that credit made it too easy for them to spend money that they did not have without realizing it. Poor management appeared to play a major role in the overextension of this family, as it had in other cases. Family #4 had also encountered some rather unfortunate circumstances over which they had no control. This resulted in them

becoming even further in debt.

In summary then, each of the four families interviewed has used credit to finance the purchase of two cars. In three out of the four cases each of the vehicles that was financed was purchased new. In the one other case the vehicle was approximately ten years old at the time of purchase. Only in one instance was the vehicle necessary for the employment of a family member and even then the respondents stated that a second-hand vehicle would have served the purpose as effectively as the new one that was purchased. In addition to financing vehicles, one of the families had used credit to go on an overseas vacation, one to purchase jewellery, and two to meet post-secondary educational expenses. Each of the families had used credit to buy Christmas gifts. Each of these goods was considered to meet psychogenic needs.

A car is not a necessity, but a luxury in a metropolis such as Edmonton, unless it is a condition of employment. Transit systems are adequate to meet the needs of most citizens for transport. Travelling overseas is also a luxury. Admitedly, overseas vacations may serve important psychological and sociological needs. However, these needs may be met in other ways — perhaps by taking a less expensive vacation, within the constraints of a cash budget. Jewellery also is not necessary for daily life nor are expensive Christmas gifts. The needs satisfied by these purchases could be met in either less expensive or non-economic ways. The financing of post-secondary educational expenses is also considered psychogenic. There are ways, other than institutionalized ways, to gain an education and in any case education in not

a requirement for life. Thus, consumption of each of the forementioned goods was said to satisfy psychogenic needs. In a strict sense they are not required for a person to physiologically live.

In addition to financing psychogenic needs, all but one of the families had used credit to finance biogenic needs. One family used credit to cover utility bills and three had used credit to cover the cost of groceries. Without warmth and food it would be impossible for a person to exist.

Other purchases which families had financed included furniture and appliances, miscellaneous bills, and expenses due to illness. Each had consolidated loans. Since the researcher had no information on exactly what appliances were purchased on credit and on the specific nature of the furniture and miscellaneous purchases, these items were not included in the analysis. The consolidation of loans and financing of expenses due to illness were omitted from analysis for the same reason: lack of information of the specific goods financed.

Thus, each of the four families considered had used credit to finance the purchase of goods that satisfied psychogenic needs. Three of the families had used credit to purchase goods that satisfied biogenic needs.

(c) Conclusion - Members of the two matched sets of families studied in this research used credit to finance both biogenic and psychogenic needs.

(d) Discussion - The author is cognizant of the fact that the instrument used to find out the purposes for which respondents had

used credit could be improved. The interview schedule provided rather complete information on where families had obtained credit and on the types of credit that they use, have used, and plan to use. The information was not nearly as complete as it could be about the specific goods that families have used credit to obtain, and were currently using credit to obtain. Much of the latter information was gleaned from general discussion with the families. This issue, briefly introduced, is discussed at greater length in the last chapter of this thesis, where limitations of the work are examined.

That families use credit to meet psychogenic as well as biogenic needs implies that the researcher's perception of a materialist or possessive value prevailing in society may in fact be correct. The general comments of respondents showed that they bought goods on credit that they did not need and could not afford. Automobiles were purchased for reasons other than utilitarian ones. All of this implies that the families interviewed may be economically oriented.

2. Question Number Two

Are the members of a select group of Canadian families who have become overextended in consumer credit economically oriented?

(a) Method of Examination - An economically-oriented family was defined at the beginning of the fourth chapter as one that uses consumer credit to finance psychogenic needs and one that is motivated to achieve economic goals. It has been illustrated that each of the four families in the research sample had used credit to finance psychogenic needs. In order to find out if these families were motivated to

achieve economic goals the reasons that they either stayed in, or left, specific jobs was examined. If these reasons were economic, the families were considered to be striving to attain economic goals and were then defined as economically oriented since it has already been shown that they financed psychogenic needs on credit.

(b) Results - In Family #1 the wife was interviewed. She was employed full time outside of her home and had remained in the same job for the past five years. One of the reasons that the respondent stated that she had stayed with the same firm was because of the economic benefits that she received. The other reason that was given was that she enjoyed her work. The respondent stated that her husband had held two different jobs in the past five years and that he had changed jobs because he was offered better money elsewhere.

Both the husband and wife were interviewed in Family #2. The husband had held two jobs and the wife had held three jobs during the five year period prior to the interview. The wife was not employed at the time of the interview. She stated that she had worked for various periods of time in the past when she and her husband 'needed the money', but that she preferred to stay at home with the children when their budget allowed it. The husband stated that he had changed jobs as a result of a chance at being promoted and that the new job had higher wages.

Again, in Family #3 only the wife was interviewed. Her husband had held one job during the five year period prior to the interview, while the wife had held two. She stated that she had changed jobs for financial reasons and that this was important to her so that her family

could accumulate resources. The respondent stated that her husband had decided to stay in his job because he was satisfied with the financial reward and because his job was secure.

The husband and wife of Family #4 were interviewed together. The husband had changed jobs eight times during the five years prior to the interview and the wife had changed jobs twice. At the time of the interview the wife was not employed. The husband stated that the reasons that he had changed his job so many times were basically financial. He desired a job where the pay was good, where the company paid expenses related to his work, and where there was room for advancement. The wife stated that the reasons that she worked from time to time were, first of all, for the extra spending money and secondly, to 'get out of the house.'

Thus, each of the adult members of the four families interviewed gave economic reasons for either staying at or leaving particular jobs during the five year period prior to the interview. In addition to the financial reasons security, opportunity for advancement, and enjoyment were given as reasons for either staying at, or leaving, employment in several cases. From discussion with respondents it is apparent, however, that financial reasons took precedence over the latter. It appeared that respondents stayed in jobs if they were happy with their wages and the other financial fringe benefits. If they were offered a better paying job they left.

(c) Conclusion - It is concluded that each of the families interviewed was economically oriented. This is not to say that each

family was oriented only economically, but that economic goals played a major role in determining the activities of respondents. The families interviewed used credit to satisfy psychogenic needs and either stayed at or left specific jobs for financial reasons.

(d) Discussion - The merit of linking economic orientation to the reasons that people either stay with, or left specific jobs was recognized by Burkard Strumpel (reported in Sheldon, 1973). Strumpel used the various job characteristics that his respondents considered to be important to make statements about their value system. The job characteristics that he considered were: steady income, high income, no danger of being fired, short hours, good advancement, and important work. Depending on how his respondents answered, he considered them to have either an income-security orientation, a prosperity orientation or an achievement versus affiliation orientation. In this analysis Strumpel spoke of material and non-material values. He found that persons who ranked income considerations of jobs highly were more likely to be attracted to values related to material security. It was on this basis, that the researcher decided to define an economically-oriented family as one that sought to attain economic goals and as one that financed psychogenic needs.

## C. SUMMARY OF CONCLUSIONS

Families who were interviewed in this study used consumer credit to finance both psychogenic and biogenic needs. They appeared to stay

at,or leave,specific jobs for economic reasons. Each of these families appeared to be oriented economically. The degree to which this orientation guided the behaviour of respondents is not known. It would appear from discussion with respondents,that factors other than economic ones influenced the use of credit in each case. If only economic considerations were relevant,the families would not have used credit to the point that they rendered themselves insolvent, particularily since some of the needs that they were financing could have been met in other than economic ways. The mental and family costs of overextension would discourage a family from overextending themselves if the needs served were not important. These costs were briefly discussed in Part 1 of the second chapter,entitled The Psychological and Social Effects of Overextension. There it was pointed out that monetary problems have been cited in past research as leading to more family breakups than any other single cause. Researchers who have reached this conclusion include Goldberg (1968), Coombs and Zumenta (1970),G ove, Grimm, Motz,and Thompson (1973), and Stafl and Walter (1975).

There was no noticable difference between families who were in receipt of financial counselling at the time of the interview and those who had completed counselling. In both cases, families financed psychogenic and biogenic needs. They sought to attain economic goals. Each was defined as economically oriented.

# CHAPTER VI

## RESTATEMENT OF THE RESEARCH PROBLEM, CONCLUSIONS, LIMITATIONS, AND RECOMMENDATIONS FOR FUTURE RESEARCH

To refresh the reader of the intentions of this thesis the research problem will be restated. Conclusions will then be discussed as will the limitations. Suggestions of the researcher for future work in the area of consumer credit will constitute the final section of the chapter and of the thesis.

### A. THE RESEARCH PROBLEM RESTATED

This research was intended to explore the value system that governs the use of consumer credit and to suggest ideas for future research. It was also hoped that work on such a project would uncover some of the practical difficulties which are encountered in researching values, consumer credit, and family finances in general. Originally it was planned that the findings of the research would act as the basis for a series of recommendations to consumer educators and family counsellors to help families develop skill in handling credit.

The specific research questions that were asked in this work were:

1. Do members of a select group of Canadian families who have become overextended in consumer credit use credit to finance biogenic needs or do they use it to finance psychogenic needs? and,

2. Are the members of this select group of families economically oriented?

B. CONCLUSIONS

The researcher had difficulty establishing whether the purchase of a specific good was made to satisfy biogenic needs or whether it was made to satisfy psychogenic needs. As noted in the review of the literature, the purchase of a specific good satisfies several needs. These needs may vary between individuals and within individuals over time. Therefore a specific good may be bought to satisfy both biogenic and psychogenic needs. It was shown however, that each of the four families purchased items with credit that would seem to satisfy needs other than biogenic ones. The most blatant example of this would be the number of automobile purchases made by families on credit. Each family owned two vehicles, which in the majority of cases were purchased new. Since it appeared that the families used credit to meet psychogenic needs and since each respondent rationalized either staying in or leaving a place of employment for economic reasons, families were defined as being economically oriented. The importance of this orientation, relative to other orientations, was not established. It would seem to be at least possible that families valued material wealth or possession to some extent beyond that which was necessary to meet their physiological requirements. Thus, this research would indicate that certain non-economic factors influence consumer behaviour. It would appear, both from the findings and from talking to respondents

that the possession of goods was valued for reasons that were not always utility oriented. Consumption may be linked to the self-images and social relationships of individuals and families.

The fact that families overextended themselves so severely, that they used credit to satisfy psychogenic needs, and that they were economically oriented leads one to question the application of strict economic theory to credit use. Families in this study used consumer credit past the point where it was rational to do so. The only assumption of economic theory that was upheld in this work was that families desired a larger over a smaller bundle of goods.

Confirmation of the researcher's view and the obvious lack of difference between families who were receiving counselling at the time of the interview and families who had received counselling prior to the interview leads, as anticipated, to the recommendation that both counsellors and consumer educators concentrate on teaching people to recognize, evaluate, and alter their value structure. Families need to be shown how to examine the reasons for their purchase behaviour. In as much as their reasons for purchase may be materialistic, or based on the value of possession, the families will need to be helped to re-evaluate their economic goals and consumption behaviour. Even if this is possible it will be a difficult task. A necessary intermediary step may be to teach people about the facts of credit use. Families need to be taught about different types of credit, about the contracts that they sign, and about the responsibility that they assume when making a credit purchase. Treating such basic questions should provide an opportunity for educators and counsellors to discuss the more funda-

mental issue of values. An old but appropriate statement summarizes the issue.

> "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime." (Source Unknown)

## C. LIMITATIONS

In order to fully comprehend and appreciate the analysis of a research project it is imperative that the reader be aware of the limitations of the work. This research had two main limitations. One of these arose from sample design and the other from measurement technique.

The first limitation arose from the sampling technique and the number of families within the sample. The total number of families that has been analyzed was small. The sample may not be considered representative of any known population since it was not randomly drawn. The sample design was purposeful. The researcher chose individual elements according to the research needs. Sample groups were chosen because they were convenient. Given the sensitive nature of the research subject, other groups that may have been more representative of a larger population could not be obtained. Many families refused to participate because they either were fearful of the use to which the data would be put or they did not wish to talk about their experiences. Thus, the sensitivity of families about their financial experiences influenced the willingness of individual families to participate. Families who were rather insensitive to questions about their family finances, or who had not experienced much stress over financial matters, or who

were able to appreciate the purpose of the research, would have been more likely to participate than would have others. All of these factors contributed to making the sample non-representative. Nevertheless, the findings are interesting and suggest that the main argument of the research is worthy of more rigorous testing in the future. The author does, however, caution the reader to take care in generalizing from the conclusions of this study to the Canadian population at large. The results are indicative of trends that may or may not exist among the general population. Future research will clarify whether or not these findings may be applied to other cases. It is not within the scope of this research to reliably do so.

The second limitation of the current work, that which arose from measurement, is that no objective measurement of values and needs was used to check the open-ended one. Reliability checks were not present.

## D. SUGGESTIONS FOR FUTURE RESEARCH

Past research on consumer credit has been inadequate and has lacked coherence. The issues at hand have not been dealt with systematically. The question of values influencing consumption warrants consideration that it has not been given in the past. This situation will hopefully be rectified as more work is done. To the extent that researchers work together a unified framework within which to view credit use will emerge.

The author recommends that the work done in this thesis be repeated with a sample that is representative of the population at large

with some major modifications in the instrument used. Although an interview schedule should be used it should be much shorter. Questions need to be related specifically to the research questions and extraneous detail omitted at the onset. Value scales should be used. More detail about specific purchases should be obtained. This latter detail should include not only information as to what goods were purchased but also why these were purchased and what they were used for. An attempt should be made to find out which goods consumers bought because of the practical function they performed and which were bought for social and psychological reasons.

If a study were completed in which all the forementioned information was gathered, it would be possible to examine the specific values of respondents as related to specific purchases that they made. Perhaps it would be possible to link the consumption of specific goods with specific orientations. A knowledge of the influence that values have on economic decision making would be useful in determining at what point in the process information could be effectively introduced and realized. Such information would help in terms of counselling the overindebted and in effecting behaviour-modification. Results could provide a basis for effective educational programs not only in money management per se but in the broader area of life style.

Other research questions that should be investigated for purposes of clarifying the reasons that families use credit in our society are:

1. What aspirations do Canadian families and individuals have? How does the use of credit help families obtain that to which they aspire?

2. What motivates individuals to work? What are their goals in life?
3. What items do families and individuals consider to satisfy physiolocial needs? social needs? psychological needs?
4. For what purposes do families use consumer credit?
5. What percentage of purchases are stimulated by utilitarian as opposed to non-utilitarian demands?
6. To what extent are Bandwagon Effects, Social Taboo Effects, Snob Effects, and Veblen Effects operative in the marketplace?
7. How do families and individuals form their attitudes about money, consumer credit, consumption, and possession?
8. What are the attitudes of individuals and families towards money, credit, consumption, and possession?
9. How are a family's attitudes towards credit associated with its use of credit?
10. To what extent are families and individuals materialistic, acquisitive, and possessive?
11. How do individuals and families perceive their roles in the economic and social system?
12. To what extent do families and individuals consider evidence of material wealth to be indicative of their relative status or of their self worth?

Detailed examination of the above twelve questions would provide a sound basis for the development of a conceptual framework within which to consider credit use specifically and consumer behaviour generally. Work in the areas indicated would form a basis upon which the view presented in this thesis could be elaborated upon and tested. A more

comprehensive, sophisticated statement about the value system that governs consumption in Canadian society would hopefully emerge. Once this value system has been examined a more fundamental question may be asked: What interests does this value system serve? What is the relationship of the extent to which consumption or possession is valued to the economic and non-economic needs of society? That consumption is valued for reasons arising from the economic needs of society is discussed by writers such as Clement (1975), Miliband, (1969), Gonick (1975), and Marcuse (1964). The arguments of these theorists were beyond the scope of this work.

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# APPENDICES

## APPENDIX I

## LETTER OF INTRODUCTION TO THE STUDY

## APPENDIX II

## INTERVIEW SCHEDULE

APPENDIX I

LETTER OF INTRODUCTION TO THE STUDY

Dear Mr, Mrs. . . . . .

Many families are having difficulty making ends meet regardless of income. At the present time I am contacting both families who are having difficulty and those who are not.

I am interested in strengthening families and believe that families like yours who have gone through some difficult times can make a valuable contribution to other families who are having problems.

Would you be willing to participate? It would mean about an hour of your time. You would fill out a short questionnaire and answer a few questions concerning the way your family makes financial decisions. There are also a few questions concerning your past and present financial situation. The interview would take place in your home. The information you provide will be kept in strictest confidence and no one outside the research team will have access to it. Your name will never be associated with the data you provide.

If you have any questions regarding the nature of this study feel free to contact either your present or your past family financial counsellor. Your counsellor is aware of the fact that I am contacting you.

Within the next few days I will phone your home at in order to meet with the two of you. If this phone number is incorrect please phone me at 488-5453 in the evening to let me know if you are willing to participate. Messages may be left at 432-3448 (Room 205) during the day. Thank you in advance for your cooperation. I appreciate your concern for this project.

Sincerely,

Laurie Hunter
Home Economist

APPENDIX II

INTERVIEW SCHEDULE

SECTION A

General Information (Questions 1-12)

1. How old are each of you?

   Male _____ Female _____

2. Are you married?

   Yes _____ No _____

   IF NO

   a. Which of the following are each of you?

      Single (Never Married) Male _____ Female _____

      Separated Male _____ Female _____

      Divorced Male _____ Female _____

      Widow/Widower Male _____ Female _____

   b. Are you living common law at present?

      Yes _____ No_____

3. How long have you been living together?

   _____ Years _____ Months

4. How old were each of you when you began living together?

   Male _____ Female _____

5. Have either of you been married and/or lived common law before?

   Yes _____ No _____

   IF YES

   a. How many times ?

Male _____ Female _____

6. Do either of you have any financial obligations as a result of past marital and/or common law relationships?

Yes _____ No _____

IF YES

a. What form do each of these obligations take and what is the amount involved in each instance? i.e. Do you pay ...

Alimony $_____ /month

Child support $_____ /month

Payments on debts that were co-incurred with your past partner?

_____ (Balance outstanding) _____ (Monthly payment)

Payments on debts that were self-incurred but stemming from a past relationship? _____ (Balance outstanding) _____ (Monthly payment)

Other (Specify)

_____

_____

7. How many children do you have? _____

a. What are their ages? _____

b. By age, which of your children live at home? _____

c. Which of these children depend on you financially? _____

8. Is anyone other than your children living with you who depends on you financially? Yes _____ No _____

IF YES

a. What is their relationship to you?

_____

b. Is this person (Are these people) totally or only partially dependent on you financially? Totally _____ Partially _____

If partially, elaborate as to the proportion of their needs that you meet. _____

_____

9. Do any of the persons that we have just talked about contibute financially to your family? Yes _____ No _____

IF YES

a. How much do they contibute per month? $_____.____

10. Do you rent or do you own the home in which you live?

Rent _____ Own _____

a. What do you pay each month in either rent or on mortgage payments? $_____.____

IF THE PEOPLE OWN THEIR OWN HOME

b. Is any portion of the amount that you just gave me a second mortgage payment? Yes _____ No _____

IF YES

c. How much? $_____.____/month

IF NO

d. Do you have a second mortgage on your home? Yes _____ No _____

IF YES

e. How much is your second mortgage? _____ (balance outstanding)

$_____.____/month

11. What do each of you do for a living? (Give a general description

of your job.)

Male _____

Female _____

a. How long have each of you been employed with the organization that you are now working for?

Male _____ years _____ months _____ weeks (if applicable)

Female ___ years _____ months _____ weeks (if applicable)

b. How many organizations (companies) have each of you worked for during the past five years?

Male _____ Female _____

c. If either of you have changed companies more than once during the past twelve months what was your reason for doing so. (Elaborate)

Male _____

_____

_____

Female _____

_____

_____

d. If you have changed firms less than once in the past twelve months has there been any particular reason why you have chosen to stay at the same place or was it a matter of choice? (Elaborate)

Male _____

_____

_____

Female _____

_____

_____

12. What is the highest level of education completed by each of you?

Academic

| | | |
|---|---|---|
| No formal schooling | Male _____ | Female _____ |
| Elementary School or less | Male _____ | Female _____ |
| Junior High School or less | Male _____ | Female _____ |
| Some High School | Male _____ | Female _____ |
| Completed High School | Male _____ | Female _____ |
| Some Post Graduate Work | Male _____ | Female _____ |
| Completed Post Graduate Work | Male _____ | Female _____ |

Technical

| | | |
|---|---|---|
| Some Formal Technical Training | Male ____ | Female _____ |
| Completed Formal Technical Training | Male ____ | Female _____ |
| Informal (on the job) Technical Training | Male ___ | Female _____ |

Other (Please Elaborate)

Male _____

_____

Female _____

_____

SECTION B

Family Financial Data (Questions 13-33)

13. What was your total household income before taxes in 1975?

$_____.____

IF A FAMILY IS UNABLE TO ANSWER THE ABOVE QUESTION WAS IT:

| | | | |
|---|---|---|---|
| _____ | less than $3,000 | _____ | $10,000-$11,999 |
| _____ | $3,000-$3,999 | _____ | $12,000-$14,999 |
| _____ | $4,000-$4,999 | _____ | $15,000-$16,999 |
| _____ | $5,000-$5,999 | _____ | $17,000-$19,999 |
| _____ | $6,000-$6,999 | _____ | $20,000-$24,999 |
| _____ | $7,000-$7,999 | _____ | over $25,000 |
| _____ | $8,000-$8,999 | _____ | don't know/refused |

14. List the amount of money that individual members of your family received from each of the following sources last month. List all money received in your family but list each amount only once. If family members pooled the major portion of their income put them under other.

| | Male | Female | Other |
|---|---|---|---|
| (a) Wages and salary after deductions and taxes including bonuses, overtime etc. | | | |
| (b) Income from self employment | | | |
| (c) Unemployment Insurance | | | |
| (d) Family Allowance | | | |
| (e) Welfare | | | |
| (f) Rent | | | |

(g) Dividends from stocks and/or bonds _____

(h) Contributions from sons and daughters for room and board _____

(i) Interest _____

(j) Pensions (veteran, retirement or old age) _____

(k) Investments _____

(l) Other (specify)_____ _____

15. Is the money being received by your family now greater than, less than, or about the same as that which your family received last year? Consider this question in terms of yearly income.
greater than _____ less than _____ about the same as___

16. Do you think that your family income in 1977 (next year) will be greater than, less than or about the same as your family income in 1976? greater than _____ less than _____ about the same as ___

17. Today the cost of living is higher than it has ever been. Do you think it is possible these days to save on a regular basis, that is, to save up for things you want or for emergencies?
Yes _____ No _____

18. Is your family saving money at *----- (List the place on the chart below)? Ask the next two questions for each YES answer.
(a) How many accounts do you have there?
(b) Approximately how much is in each account?

| Place | # of accounts | Amount in Each | Total |
|---|---|---|---|
| Credit Union | | | |
| Bank | | | |

Trust Company _____

Other (eg. X-mas Club) _____

Specify _____ _____

_____ _____

_____ _____

19. Which of the following types of accounts do you have and how many of each type?

(a) Whose names are each of these accounts in?

| Type | Number | Male | Female | Joint |
|---|---|---|---|---|
| Savings Account | | | | |
| Chequing Account | | | | |
| Chequing Savings | | | | |
| Share Accounts | | | | |
| Other (Specify) | | | | |
| | | | | |
| | | | | |

20. Do you or does any other member of this family have any:

(a) Savings bonds _____

(b) Stocks or other bonds _____

(c) Group stock plans _____

(d) Government bonds _____

(e) Retirement pension plans _____

(f) Contracted loans _____

(g) Uncontracted loans _____

(h) Registered home owners plans _____

IF YES

(i) What is the approximate value of each of these investments.

(WRITE IN THE AMOUNT OPPOSITE THE ITEM IN THE LIST ABOVE)

21. Does your family own ...

any homes _____

any real estate _____

a vehicle or vehicles _____

IF YES

What was their original purchase value and in what year did you buy them?

homes _____

real estate _____

vehicles _____

22. Many families have at least some purchases which they are paying for on time. I would like to know if your family is buying anything on an installment plan. In this section I am only interested in the purchases for which you have signed a special contract, and not those which you have put on a regular charge account.

| Are you making payments on... | What is the monthly payment? | How many months do you still have to pay? | To Whom | Balance Outstanding |
|---|---|---|---|---|
| a car | | | | |
| furniture | | | | |
| appliances | | | | |
| tapeplayer/T.V./stereo | | | | |
| other household goods eg. vacuum | | | | |
| clothing | | | | |

23. Credit cards are common these days. Do you have any credit cards?

Yes _____ No _____

IF YES

(a) Which of the following types of credit cards do you have and how many of each types? (place the number in the blank provided)

Department Store _____

Universal eg. American Express, Carte Blanche, Diners Club

_____

Oil Companies _____

Bank Cards _____

Other (specify) _____

_____

_____

(b) For each of the credit cards that you have could you outline your current outstanding balance, the amount of your last payment and the amount of your usual payment?

| Type | Balance | Amt Last Payment | Amt Usual Payment |
|---|---|---|---|
| Department Store | | | |
| | | | |
| | | | |
| | | | |
| Universal | | | |
| | | | |
| Oil Companies | | | |

Bank Cards _____

_____

Other (specify) _____

_____

_____

(c) In an average month how often do each of you use each type of credit card that you have?

| Credit Card | Male | Female |
|---|---|---|
| Oil Company | ____ | _____ |
| Department Store | ____ | _____ |
| Universal | ____ | _____ |
| Bank Card | ____ | _____ |
| Other (specify) | ____ | _____ |
| _____ | ____ | _____ |
| _____ | ____ | _____ |
| _____ | ____ | _____ |

Codes

1. Once a month
2. Twice a month
3. Three times a month
4. Four times a month
5. More than four times a month
6. Never
7. Not sure

24. Are you making payments on any loans at present? Yes ____ No ____

IF YES

| Who Loaned You the Money? | For What Purpose? | What is the Monthly Payment? | How Many Months Do You Still Have to Pay? | Balance Outstanding |
|---|---|---|---|---|
| Trust company | | | | |
| Insurance company | | | | |
| Credit Union | | | | |
| Finance company | | | | |
| Bank | | | | |

Friend or relative _____

Collection agencies _____

Other (specify) _____

_____

_____

_____

25. Have you at any time taken outa loan or loans to pay off bills?

Yes _____ No _____

26. Do you have any loans on which you do not make regualr payments?

eg. From a relative or friend Yes _____ No _____

Who loaned you the money? For what purpose? How much do you owe?

_____

_____

_____

27. Do you owe any money on ...

(a) rental arrears _____

(b) utilities arrears _____

(c) medical bills (drugs, AHC) _____

(d) income tax _____

(e) bills from the dentist _____

IF YES

How much do you owe each one? (WRITE IN THE AMOUNT OPPOSITE THE ITEM) When you consider all the money that you now owe to different places and people, like stores, salesmen, loans and doctors bills how much money do you think you need to pay off all your

debts? $ _____.____.

29. Have you or any members of your family been pressured into using credit at any time? Yes _____ No _____

IF YES

Which of the following acted as a source of pressure?

_____ credit card companies

_____ financial institutions eg. mortgage companies or banks

_____ salesmen

_____ advertising

_____ friends

_____ neighbours

_____ other family members

_____ other (specify) _____

_____

30. Do you plan on using credit in the future? Yes _____ No _____

IF YES

| What types of credit will each of you use? | Male | Female |
|---|---|---|
| Oil companies | ____ | _____ |
| Department Stores | ____ | _____ |
| Universal | ____ | _____ |
| Bank Cards | ____ | _____ |
| Automobiles | ____ | _____ |
| Home Mortgages | ____ | _____ |
| Other (specify) | ____ | _____ |

31. In the majority of instances do each of you use credit for convenience or for the purpose of purchasing an item before you have the cash to pay for it?

convenience _____ male _____ female

credit _____ male _____ female

32. In an average month approximately how much do you spend on the following?

food _____

clothing _____

accommodation _____

maintenance, alimony, child support, etc. _____

health and personal care _____

utilities _____

life and home insurance _____

recreation _____

education and reading _____

babysitter _____

tobacco and alcohol _____

home improvements _____

investments _____

other (specify) _____

_____

transportation _____ (Total the following figures)

gas _____

automobile insurance premium (calculate per month) _____

servicing (oil changes, tires, batteries, painting etc.) _____

automobile association fees _____

bus travel _____

taxi (etc.) _____

other travel (train, air, car rentals, etc.) _____

33. How much if anything do you save at present per month? _____

SECTION C

Attitudes Towards Credit And Borrowing (Questions 34-40)

34. In general, do you think that credit buying is a good thing or a bad thing?

_____ good thing

_____ bad thing

_____ good with qualifications

_____ bad with qualifications

_____ don't know

35. What do you think are the advantages of credit cards, if any?

_____

_____

_____

36. How about the disadvantages. What are they, if any?

_____

_____

_____

37. Is credit a necessity for your family at present? Yes ____ No ____

(a) Would you say that it was a necessity two years ago?

Yes _____ No _____

38. Do you think that you get good value for the money that you spend on credit buying? (Do you think that you get your money's worth when you buy on credit?)

Male Female

_____ _____ Yes

_____ _____ No

_____ _____ Don't know (no response)

39. Most people nowadays use credit or charge accounts to pay for certain expenses. These are some of the reasons for which people borrow money or use pay later plans. How do you feel about borrowing or using credit? Do you think it is: usually a good idea, sometimes a good idea, or never a good idea to borrow money in order to ... CODE 1. usually 2. sometimes 3. never

_____ start a business

_____ cover the expenses of a vacation trip

_____ pay taxes

_____ purchase jewellery

_____ purchase food

_____ cover educational needs

_____ cover expenses due to illness

_____ pay bills that have piled up

_____ purchase a car

_____ purchase furniture and appliances

_____ buy Christmas presents

_____ cover the expenses of investing eg. stocks and bonds

(a) Which of those items just mentioned would you or have you, personally used credit or borrowed for?

_____

_____

_____

40. If a man works and earns $10,000/year and supports a wife and two children how much money do you think it is safe for him to use excluding a mortgage?

_____ $1,000 or less _____ over $1,000 but under $2,000

_____ $2,000-$5,000 _____ $5,000-$6,000

_____ $6,000-$7,000 _____ $7,000-$8,000

_____ $8,000-$9,000 _____ $9,000-$10,000

_____ $10,000-$15,000 _____ above $15,000

SECTION D

Basic Credit And Banking Knowledge (Questions 41-51)

41. Credit card accounts ...

_____ are never interest free.

_____ are interest free if paid within 30 days of receipt.

_____ are always interest free.

_____ don't know.

42. Can anyone go to the Credit Bureau and examine his/her own records?

_____ Yes _____ No _____ Don't know

43. If you buy a car or some other consumer item on credit, can the seller repossess it if you default on a payment regardless of how much you have already paid on it?

_____ Yes _____ No _____ Sometimes ____ Don't Know

44. Is the cost of credit or the interest rate you pay for credit regulated by law in Alberta? Yes _____ No _____ Don't know _____

45. Suppose you needed a thousand dollars in cash which you would repay in twelve monthly payments. About how much do you think the interest or carrying charges would be if you borrowed the money from the bank? _____

(If the respondent gives a dollar answer)

(a) About what percent interest rate would that be? _____%

46. Do you know if there are any agencies in this community which provide counselling to people in debt? Yes _____ No _____ Don't know__

IF YES

(a) What is the name of this group or agency? _____

_____

_____ don't know

(b) Do you think this (these) agency (agencies) is (are)

_____ quite helpful?

_____ helpful?

_____ not at all helpful?

_____ don't know.

47. Do you know the difference between a 'flat' rate and a 'true' rate of interest? Yes _____ No _____

IF YES

What is the difference? _____

_____

_____

48. Which of the following, in your opinion, provides the cheapest source of credit (a consumer loan) for a car?

_____ a bank

_____ a small loan company

_____ a sales finance company

_____ a credit union

_____ the seller

49. Is there a difference between a credit union and a bank?

Yes _____ No _____ Don't know _____

IF YES

What is it? _____

_____

50. What responsibilities would you assume if you were to co-sign for a loan for a friend? _____

_____

51. What is the difference between a chattel mortgage and a conditional sales contract if any? _____

_____

_____

SECTION E

Credit Use Behaviour (Questions 52 & 53)

52. Do you generally shop among several finance companies or banks, two or three or only the one you deal with before obtaining a loan?

_____ several

_____ two or three

_____ one

_____ don't know

53. When deciding which company or bank to approach for financing do you follow any advertisements or read anything else, or talk to friends and neighbours about different kinds of financing?

_____ advertisements

_____ talk to friends

_____ read something else (specify) _____

_____ none of these

_____ all of these

SECTION F

Family Budgeting And Money Handling Practices (Questions 54-63)

54. Out of the following statements on the different ways in which people handle their income which, if any of them, best describe your practice? (Check one)

_____ Buy whatever you need as long as you can get the credit

_____ Try to keep your spending just within your income

_____ Put aside whatever is left over at the end of the week or month

_____ Try to keep expenditures down so that some money is left over for savings at the end of the week (month, year)

_____ Have definite plans in advance for saving part of income as through fixed savings plans, etc., and then spend remainder

_____ Not only have definite plans in advance for saving part of income but also try to have something left over from expenses for savings too

55. Does your family plan in advance the way they spend their money?

Yes _____ No _____

FOR FAMILIES WHO HAVE RECEIVED FAMILY FINANCIAL COUNSELLING

(a) Did you plan your expenses in advance before you went for family financial counselling? Yes _____ No _____

56. Do the two of you discuss how your family's income will be spent or does one of you make the decisions? If one, which one?

_____ discuss

_____ male decides

_____ female decides

57. How often do you revise the plans that your family has for spending it's money and for what reasons? _____

_____

_____

58. How far ahead do you usually know how your next pay cheque will be spent?

_____ one week

_____ two weeks

_____ one month

_____ mone than one month

59. Which one of the following statements best indicates how you plan your family finances? (Usually)

_____ keep financial plans in your head

_____ jot down a few figures

_____ write down all expenses for the time period

_____ follow a firm long term plan

60. During the past year (1975) did you make a written budget or expenditure plans for any items such as food, clothing, housing, etc.?

_____ Yes _____ No _____ Don't know

IF YES

(a) For what type of expenditures did you make this budget or plans? _____

_____

_____

(b) How long a period of time did your budget (or plans) cover, eg. Was it a year, a month, a week, or just what?

_____ don't know

_____ one year

_____ monthly

_____ weekly

_____ other (specify eg. over a year) _____

_____ not applicable

61. Did you or anyone in your family keep a written record of your actual expenditures during any part of the past year?

_____ Yes _____ No _____ Don't know

IF YES

(a) For what proportion of the year? (State the number of months)

_____ one month

_____ one - three months

_____ four - six months

_____ seven - nine months

_____ ten - twelve months

_____ not applicable

(b) For which of your expenditures were these records kept? (Check items below)

_____ don't know, no response

_____ all items of expenditure

_____ food

_____ housing

_____ clothing

_____ not applicable

_____ utilities

_____ education

_____ medical

_____ transportation

_____ other household expenses

_____ other (specify) _____

62. When making financial plans how often do things turn out as you expect?

_____ always

_____ about 75% of the time

_____ about half of the time

_____ about 25% of the time

_____ never

63. Do you feel that your financial situation is ...

_____ out of control

_____ very difficult

_____ improving but still difficult

_____ getting easier to manage

_____ under control

SECTION G

Parental Effect (Questions 64-69)

| | | Husband | Wife |
|---|---|---|---|
| 64. Who handled the money in your parents family? | | | |
| | mother | _____ | ___ |
| | father | _____ | ___ |
| | both | _____ | ___ |
| 65. Who handles the money in your family? | | | |
| Male _____ Female _____ Both ____ | | | |
| 66. Did your parents teach you a consistent pattern of handling money? | yes | _____ | ___ |
| | no | _____ | ___ |
| (a) Did you learn to handle money from participating in family finances or some other way? | participating | _____ | ___ |
| | another way | _____ | ___ |
| 67. In your opinion, do you feel that your parents handled money well? | yes | _____ | ___ |
| | no | _____ | ___ |
| | uncertain | _____ | ___ |
| | N/A | _____ | ___ |
| 68. To what degree were your parents indebted? | | | |
| | heavily | _____ | ___ |
| | moderately | _____ | ___ |
| | not indebted | _____ | ___ |

don't know _____ ___

N/A _____ ___

69. In your opinion, do you feel that you manage your money well?

yes _____ ___

no _____ ___

SECTION H

General Comments And Discussion (Question 70)

70. If your family had planned its expenditures better do you think some of the problems you have experienced would have been less?

Yes _____ No _____

TO BE COMPLETED BY INTERVIEWER

Who was present at the interview?

male _____

female _____

both _____

Which of the following appeared to precede the family's going for counselling?

_____ circumstances beyond family's control

_____ poor money management

_____ lack of money

Elaboration: Comments From Discussion

_____

_____

_____

_____

_____

# VITA

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School of Home Economics
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Spring 1974

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